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Encouraging FRAND-ly Negotiations: A Comparison of the United States and European Approaches to Allowing Injunctive Relief In Cases Involving FRAND-Encumbered Standard-Essential Patents

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ENCOURAGING FRAND-LY NEGOTIATIONS: A COMPARISON OF THE UNITED STATES AND EUROPEAN APPROACHES TO ALLOWING INJUNCTIVE RELIEF IN CASES INVOLVING FRAND-ENCUMBERED STANDARD-ESSENTIAL PATENTS

INTRODUCTION

Routers connect to a variety of devices, created by different manufacturers, allowing these gadgets—laptops, tablets, televisions and smartphones—to connect to the internet; these devices can communicate with the router and one another because they all belong to a common standard or standards.¹ The Wi-Fi standard is one of the many relevant standards for the aforementioned devices. Like other standards, the Wi-Fi standard allows for devices to be interoperable because Standard Setting Organizations² (“SSOs”) provide manufacturers of various devices, or components of those devices, with “common blueprints that specify the physical interface, communication protocols, and other features . . .”³

Although participation in SSOs is voluntary,⁴ many entities choose to participate in standardization processes⁵ that determine which patents are included in the blueprints every implementer of a standard will have to follow.⁶ The patents that are selected to be a part of the standard are known as standard-essential patents (“SEPs”).⁷ Because one of the property rights in a patent-holder’s “bundle of sticks” is the right to exclude others from practicing their patent,⁸ and because an implementer will necessarily need to license the patents essential to the standard in

1 Benjamin M. Miller, *FRAND-Encumbered SEPs and Injunctions: Why Section 5 of the FTC Act is an Inappropriate Remedy*, 16 COLUM. SCI. & TECH. L. REV. 452, 454 (2015).

2 SSOs are “private groups responsible for adopting industry standards.” *Id.* at 455.

3 Jonathan Hillel, *Standards x Patents ÷ Antitrust = ∞: The Inadequacy of Antitrust to Address Patent Ambush*, 17 DUKE L. TECH. REV. 1, ¶ 7 (2010).

4 See Miller, *supra* note 1, at 455.

5 Standardization is “the adoption of a single standard by an industry for a given product or technology.” Miller, *supra* note 1, at 455.

6 “[A]ny entity wishing to practice that standard must obtain the right to use a particular patent necessary to the standard.” Miller, *supra* note 1, at 455.

7 Miller, *supra* note 1, at 455.

8 Miller, *supra* note 1, at 455.

order to comply with that standard,⁹ SSOs ask their members to declare any patents they believe to be standard-essential and to license those patents on fair, reasonable, and non-discriminatory (“FRAND”) terms.¹⁰

This Note maintains that holders of FRAND-encumbered SEPs should continue to have access to injunctive relief in United States courts as well as exclusionary relief at the United States International Trade Commission (“USITC”) in limited circumstances; the Note argues these limited circumstances should include instances of egregious knowing or willful infringement and instances where an implementer refuses to take a license on FRAND terms.¹¹ The Note also argues that United States courts and the USITC should develop a set of guidelines outlining the obligations of participants in licensing negotiations over FRAND-encumbered SEPs, such as the “safe harbor” guidelines¹² developed by the European Union in the *Huawei v. ZTE* litigation. Such guidelines would encourage parties to engage in good-faith negotiations by reducing opportunistic behavior, facilitating innovation and participation in the standard-setting process, and promoting economic efficiency.¹³

Part II of this Note provides background on SSOs and FRAND commitments as well as patent infringement, injunctions, and special considerations involved in the licensing of FRAND-encumbered SEPs.¹⁴ Part III examines United States legal precedent concerning the grant of injunctions and exclusionary relief in disputes over SEPs subject to FRAND licensing commitments as well as two key decisions from the European Union addressing the issue.¹⁵ Part IV highlights some of the reasons why injunctions and exclusionary relief should remain available to holders of FRAND-encumbered SEPs¹⁶ and argues that the United States courts and agencies should develop guidelines outlining the obligations, and proper conduct expected of parties involved in licensing

9 If a patent essential to the standard could be withheld it could potentially result in high shifting cost for an implementer or exclude them from the market altogether. Miller, *supra* note 1, at 455.

10 Miller, *supra* note 1, at 455.

11 See *infra* Section IV for further discussion of the argument.

12 See *infra* Section III (B)(i), for the safe harbor guidelines developed in the *Huawei v. ZTE* case.

13 See *infra* Section IV (A)-(D) for discussion of the benefits of a clear framework governing negotiations concerning FRAND-encumbered SEPs.

14 See *infra* Section II (A)-(B), for further details on SSOs, patents, patent infringement, and injunctive relief.

15 See *infra* Section III (A) for discussion of precedent in the United States and Section III (B) for discussion of European precedent.

16 See *infra* Section IV (A)-(D).

negotiations over FRAND-encumbered SEPs.¹⁷ Part V concludes the Note, underscoring the benefits of developing a clear and comprehensive framework for licensing negotiations of FRAND-encumbered SEPs and delineating the instances in which injunctive and exclusionary relief remains available to holders of FRAND-encumbered SEPs.¹⁸

I. BACKGROUND

A. Standard Setting Organizations and the Fair, Reasonable, and Nondiscriminatory Licensing Commitment

SSOs produce technical standards, which are compilations of requirements for a given technical system.¹⁹ The patents covering the technology selected for the standard are deemed “standard-essential” and are required for the implementation of the standard.²⁰ These patents are not necessarily more valuable or better than alternative patents for similar methods or products; however, once incorporated into the standard, implementers of the standard must use the SEPs to comply with the technical standard.²¹

Establishing a standard promotes innovation.²² However, standard-setting also creates a risk of a hold-up because anyone implementing the standard will need to license the relevant SEPs. As a result, the holders of

¹⁷ See *infra* Section IV (A)-(D).

¹⁸ See *infra* Section V.

¹⁹ Garrard R. Beeney, *FRAND and SEPs in the United States*, LEXOLOGY (May 23, 2016), <https://www.lexology.com/library/detail.aspx?g=69a51066-a684-4ae0-8b23-06c489d52edb>.

²⁰ *Id.*

²¹ *Id.*

²² *Id.* There are numerous ways in which the standardization process may contribute to innovation and benefit the public. These include: promoting compatibility and interoperability of products, which benefits consumers by allowing them to choose from a variety of products from different manufacturers which can interact with one another and by reducing switchover costs; assuring minimum quality and safety of goods by ensuring all, or at least a diverse group of, stakeholders participate in the standard-setting process; and promoting the dissemination of information, including not only the technology underlying the standards but other related research as well. Knut Blind & Manchester Institute of Innovation Research, *The Impact of Standardization and Standards on Innovation: Compendium of Evidence on the Effectiveness of Innovation Policy Intervention*, INNOVATION-POLICY.ORG.UK (Feb. 2013), https://media.nesta.org.uk/documents/the_impact_of_standardization_and_standards_on_innovation.pdf. Additionally, some studies have shown a positive relationship between participation in the standard setting-process and increases in investment in research and development and generation of innovative products. *Id.* at 25. Furthermore, in some instances “standardization and standards can be efficiently used to select and coordinate superior IPR, to promote its diffusion and its enforcement.” *Id.* at 26.

these SEPs could attempt to extort greater royalties using their newfound market power, or refuse to license the patents at all.²³

To prevent this problem, SSOs require the licensing of SEPs to occur on FRAND terms.²⁴ FRAND terms are supposed to allow the patent holder to make a reasonable profit while preventing the aforementioned hold-up problem by requiring not only that a license be issued, but also issued at a reasonable royalty rate.²⁵

B. Patents, Patent Infringement, and Injunctive Relief

SSOs promote innovation through their selection and incorporation of property rights, namely patents,²⁶ into a standard. Patent rights are a

²³ Beeney, *supra* note 19.

²⁴ Beeney, *supra* note 19. In a dispute involving SEPs burdened by a FRAND commitment, the Intellectual Property Rights (IPR) policy of the relevant SSO should be examined for the specific language governing the commitment. *See, e.g.,* Sullivan & Cromwell LLP, *District Court Holds That FRAND Commitment Does Not Require Licensing at Chip Level*, SULLCROM.COM (Jan. 2019), <https://www.sullcrom.com/files/upload/SC-Publication-District-Court-Holds-That-FRAND-Commitment-Does-Not-Require-Licensing-at-Chip-Level.pdf> (“careful consideration must be given to the language of the governing SSO IPR policy, as well as prevailing industry practice, in determining whether a licensing practice is consistent with a particular FRAND requirement.”). Furthermore, some scholars argue that the meaning of the terms “fair” and “reasonable” is determined in light of the wording of the relevant IPR policy as well as the rationale behind its adoption. *See, e.g.,* Damien Geradin, *The Meaning of “Fair and Reasonable” in the Context of Third-Party Determination of FRAND Terms*, 21 GEO. MASON L. REV. 919, 956 (2014). In discussing the IPR policy of The European Telecommunications Standards Institute [hereinafter “ETSI”], a standard-setting organization in the telecommunications industry, Geradin argues:

The fact that FRAND is a voluntary contract between the SEP holder and other SSO members is key to understanding the notions of fairness and reasonableness that are critical to the concept of FRAND. For instance, the plain language of the ETSI IPR Policy, its legislative history, and the debates that follow its adoption make crystal clear that the FRAND commitment pursues a twofold rationale: ensuring access to the standard while guaranteeing that the SEP holder obtains fair and adequate compensation for its patents. The fairness and reasonableness (or adequateness) of licensing terms for SEPs should be determined in light of this twofold rationale and should also take into consideration the dynamic nature of standardization.

Id.

Additionally, in regards to the term “nondiscriminatory,” scholars have observed that “[t]here is indeed a consensus that non-discrimination does not mean that licensing terms should be identical for all licensees, as such an interpretation would ignore economic realities, but that ‘similarly situated’ licensees should have access to the same licensing terms.” *Id.* at 928; *see also, e.g.,* Richard J. Gilbert, *Deal or No Deal? Licensing Negotiations in Standard-Setting Organizations*, 77 ANTITRUST L.J. 855, 868-70 (2011); Dennis W. Carlton & Allan L. Shampine, *An Economic Interpretation of FRAND*, 9 J. COMPETITION L. & ECON. 531, 546 (2013).

²⁵ Beeney, *supra* note 19.

²⁶ *What is a Patent?*, WORLD INTELLECTUAL PROPERTY ORGANIZATION (June 7, 2016), https://www.wipo.int/patents/en/faq_patents.html (last accessed Nov. 11, 2018).

limited monopoly on inventions which are arguably granted in exchange for the disclosure²⁷ of claims that are new, useful, and non-obvious.²⁸ The United States patent system grants inventors a limited monopoly over patented subject matter in exchange for the disclosure of new inventions, which helps to promote innovation and thus benefits the public.²⁹ The patent holder may exclude others from making, using, offering for sale,

A patent is an exclusive right granted for an invention. In other words, a patent is an exclusive right to a product or a process that generally provides a new way of doing something, or offers a new technical solution to a problem. To get a patent, technical information about the invention must be disclosed to the public in a patent application.

Id. Following the Agreement on Trade-Related Aspects of Intellectual Property (TRIPS)

Utility patents are granted for twenty years from the date of filing, and design patents are granted for fourteen years from the date of filing; however, prior to TRIPS, the patent term for a utility patent was seventeen years from the time the patent was issued. *Patent*, LEGAL INFORMATION INSTITUTE, <https://www.law.cornell.edu/wex/patent>. See also 35 U.S.C. § 154 (2012); 35 U.S.C. § 173 (2012).

27 See United States Patent and Trademark Office, *Manual of Patent Examining Procedure Chapter 2100, Section 2162*, USPTO.GOV, <https://www.uspto.gov/web/offices/pac/mpep/s2162.html> (last accessed Dec. 1, 2018), (“The requirement for an adequate written description ensures that the public receives something in return for the exclusionary rights that are granted to the inventor by a patent.”); Amanda Murphy et al., *Introduction to Intellectual Property: A U.S. Perspective*, COLD SPRING HARBOR PERSPECTIVES IN MEDICINE, 5(8), a020776, available at <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC4526723/> (“A patent is a legal monopoly that is granted in exchange for disclosure of how to make and use an invention.”). But see Alan Devlin, *The Misunderstood Function of Disclosure in Patent Law*, 23 HARV. J.L. & TECH. 401, 404 (2010) (“[T]he patent regime should primarily be construed as a tool for incentivizing the invention and commercialization of easily appropriated technology...disclosure should be treated merely as an ancillary feature of the patent system.”).

28 See 35 U.S.C.A. §§ 101-103, 112 (West 2014). The words “useful,” “novel,” and “nonobvious” are all terms of art within patent law. Ann Bartow, *Copyright, Trademark and Patent Law: an Overview of the Intellectual Property Framework in the United States*, ENCYCLOPEDIA OF LIFE SUPPORT SYSTEMS, <https://www.eolss.net/Sample-Chapters/C04/E6-31-02-03.pdf> (last accessed Nov. 11, 2018). For instance, a patent claim is obvious when “the differences between the claimed invention and the prior art are such that the claimed invention as a whole would have been obvious before the effective filing date of the claimed invention to a person having ordinary skill in the art [hereinafter “PHOSITA”] to which the claimed invention pertains.” 35 U.S.C.A. § 103 (West 2014). Determining who the PHOSITA is in the context of a particular patent application and suit can be a complicated endeavor in itself. See, e.g., Naina & Jasmeet Gulati, *Knowledge/Skill Standards of a “Person Skilled in Art”: A Concern Less Visited*, 17 J. MARSHALL REV. INTELL. PROP. L. 588, 606 (2018) (“The law is found in a great state of chaos when it comes to fixing the skill standard for PSITA/PHOSITA.”).

29 See Devlin, *supra* note 27 at 405 (“[T]he [patent] system incentivizes the creation and commercialization of valuable technology, the disclosure of which often takes place as a byproduct of the technology’s creation.”). See also The Patent and Copyrighting Clause of the Constitution, in which Congress is granted the power: “[t]o promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries.” U.S. CONST. art. I, § 8, cl. 8.

selling, or importing the technology covered under her patent for a period of twenty years after a patent has been filed.³⁰

When another entity makes, uses, offers for sale, sells, or imports an item that infringes upon the claims of the patent holder without her permission, patent infringement occurs.³¹ The patent holder can then bring an action against the infringing party, requesting both compensation and an injunction to halt further manufacture, use, sale, or importation of the goods.³²

Under United States law, injunctive relief is not necessarily available in all patent infringement cases; it is appropriate only in instances “when the remedy at law is inadequate,” meaning that damages are insufficient to provide “complete relief” to the aggrieved party.³³ Thus, in patent infringement cases, where damages obtained for past infringement combined with a running royalty for future uses of the patent provide complete relief, a patentee cannot get an injunction.³⁴

In the United States, courts apply a four-factor test to determine whether permanent injunctive relief is appropriate, and their issuance of such an injunction is discretionary.³⁵ This same test, sometimes referred to as the “*eBay* test,” is used in patent infringement disputes to determine whether a permanent injunction is appropriate.³⁶ Under the *eBay* test a plaintiff seeking an injunction must show:

- (1) that it has suffered an irreparable injury; (2) that remedies available at law are inadequate to compensate for that injury; (3) that considering the balance of hardships between the plaintiff and defendant, a remedy

30 35 U.S.C.A. § 154 (West 2014, Current through P.L. 115-231. Also includes P.L. 115-233 to 115-270 and 115-272 to 115-277) (“such grant shall be for a term beginning on the date on which the patent issues and ending 20 years from the date on which the application for the patent was filed in the United States ...”); 35 U.S.C.A. § 271 (West 2014) (“Except as otherwise provided in this title, whoever without authority makes, uses, offers to sell, or sells any patented invention, within the United States or imports into the United States any patented invention during the term of the patent therefor, infringes the patent.”).

31 35 U.S.C.A. § 271 (West 2014). *Patent Infringement and Litigation*, FINDLAW.COM, <https://smallbusiness.findlaw.com/intellectual-property/patent-infringement-and-litigation.html> (last visited Dec. 22, 2017).

32 35 U.S.C.A. § 281 (West 2014); *Patent Infringement and Litigation*, *supra* note 31.

33 *Apple, Inc. v. Motorola, Inc.*, 869 F. Supp. 2d 901, 922 (N.D. Ill. 2012), *aff’d in part, rev’d in part and remanded*, 757 F.3d 1286 (Fed. Cir. 2014). Significantly, the majority at the Federal Circuit affirmed judge Posner’s ruling denying Motorola’s, the patent holder’s, request for an injunction. *Apple Inc. v. Motorola, Inc.*, 757 F.3d 1286, 1326 (Fed. Cir. 2014) (“[W]e... affirm its [the lower court’s] decision that Motorola is not entitled to an injunction”).

34 *Id.*

35 *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 390 (2006).

36 *Id.* at 391.

in equity is warranted; and (4) that the public interest would not be disserved by a permanent injunction.³⁷

Similarly, to qualify for a preliminary injunction under United States law, the plaintiff must show: “[1] that he is likely to succeed on the merits, [2] that he is likely to suffer irreparable harm in the absence of preliminary relief, [3] that the balance of equities tips in his favor, and [4] that an injunction is in the public interest.”³⁸ Finally, where infringement involves the importation of goods, exclusion orders are available by bringing an action through the USITC.³⁹

C. Standard-Essential Patents and Fair, Reasonable, and Nondiscriminatory Licensing

Typically, patent holders may attempt to seek injunctive relief in a suit against infringers, however, it has been less clear whether, and if so, under what circumstances, this right extends to patent owners of SEPs subject to a commitment to license on FRAND terms.⁴⁰ A patent holder who commits to licensing her patents on FRAND terms indicates that she is willing to provide a license on reasonable terms to all the implementers of the standard who require her technology.⁴¹ The crux of the issue is whether, and if so, under what conditions, a patent owner of a FRAND-encumbered SEP should be allowed to ask for injunctive relief or an exclusion order against the infringing implementers.⁴²

³⁷ *Id.*

³⁸ *Winter v. Natural Resources Defense Council, Inc.*, 555 U.S. 7, 20 (2008).

³⁹ “The United States International Trade Commission ([US]ITC) has the authority to stop unfair trade practices, including the importation of products found to infringe a valid U.S. patent.” Maximillienne Bishop & Elizabeth Niemeyer, *Limited Exclusion Orders at the ITC*, FINNEGAN, (Sept. 2013), <https://www.finnegan.com/en/insights/limited-exclusion-orders-at-the-itc.html>.

⁴⁰ Jay Pil Choi, *FRAND Royalties and Injunctions for Standard Essential Patents*, CTR. FOR ECON. STUDIES & IFO INST. (Oct. 22, 2014), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2512789.

⁴¹ National Research Council, *Patent Challenges for Standard-Setting in the Global Economy: Lessons from Information and Communications Technology*, THE NAT’L ACADS. PRESS (2003), <https://doi.org/10.17226/18510>, 1, at 46.

⁴² *Id.* at 47.

II. ACCESS TO INJUNCTIVE AND EXCLUSIONARY RELIEF SHOULD BE AVAILABLE TO HOLDERS OF FRAND-ENCUMBERED STANDARD-ESSENTIAL PATENTS

The worldwide examination of the issue — the availability of injunctions to holders of FRAND-burdened SEPs — has produced a near unanimous agreement “that a FRAND promise precludes seeking an injunction unless the infringer has refused to or cannot accept a FRAND licence [*sic*].”⁴³ However, there is some divergence in how this principle has been applied in the United States verses in the European Union.

A. United States Legal Precedent

1. United States Case Law

American courts have been hesitant to allow the use of injunctions by holders of SEPs subject to FRAND obligations and have enjoined SEP-holders from enforcing such injunctions, citing primarily three reasons. First, the act of requesting an injunction or otherwise asserting exclusionary rights is inconsistent with the FRAND commitment which requires patent holders to license their SEPs.⁴⁴ Second, the undertaking of the FRAND commitment implicitly assumes that royalties are a sufficient remedy for the infringement in most cases because the commitment requires the patent holders to license out their patents.⁴⁵ Third, negotiations under the threat of an injunction would disadvantage potential licensees and could result in an agreement with unreasonable, non-FRAND terms and rates.⁴⁶

43 Beeney, *supra* note 19. See also Eric Kroh, *EU Initiative Seeks Clarity of Standard-Essential Patents*, LAW360 (Apr. 13, 2017), <https://www.law360.com/articles/913133/eu-initiative-seeks-clarity-on-standard-essential-patents> (indicating that U.S., E.U., and other foreign competition agencies have reached similar conclusions regarding the ability of FRAND-encumbered SEP holders to request import bans, product recalls, and other similar actions against willing licensees).

44 See *infra* Section III(A)(i), for a discussion of *Microsoft v. Motorola*.

45 *Apple*, 869 F. Supp. 2d at 914 (“By committing to license its patents on FRAND terms, Motorola committed to license the ’898 to anyone willing to pay a FRAND royalty and thus implicitly acknowledged that a royalty is adequate compensation for a license to use that patent.”).

46 *Id.*

[A] royalty negotiation that occurs under threat of an exclusion order may be weighted heavily in favor of the patentee in a way that is in tension with the [F]RAND commitment. High switching costs combined with the threat of an exclusion order could allow a patentee to obtain unreasonable licensing terms despite its [F]RAND commitment, not because its invention is valuable, but because implementers are locked in to practicing the standard.

For instance, in *Apple, Inc. v. Motorola*, Judge Posner wrote the following in response to Motorola's, the patent-holder's, request for an injunction against Apple: "I don't see how, given FRAND, I would be justified in enjoining Apple from infringing the '898 *unless Apple refuses to pay a royalty* that meets the FRAND requirement."⁴⁷ In taking on the FRAND commitment, Motorola essentially acknowledged that royalties are sufficient compensation for the use of its SEPs.⁴⁸ Significantly, Judge Posner also denied Apple's request for an injunction in that case indicating Apple was not able to demonstrate that it suffered an irreparable injury, that a remedy at equity was warranted, and that the public interest would not be disserved by an issuance of an injunction as required by the *eBay* test.⁴⁹ Finally, Posner acknowledged that allowing the FRAND negotiations to occur under a looming threat of an injunction could result in royalty rates which "reflect patent hold-up, rather than the value of the patent relative to alternatives."⁵⁰

Likewise, in an interlocutory appeal, Judge Berzon, writing for the Ninth Circuit in *Microsoft v. Motorola*, upheld the grant of a preliminary injunction by a lower court to temporarily enjoin Motorola, the holder of RAND-burdened SEPs,⁵¹ from enforcing an injunction that it obtained against Microsoft in Germany.⁵² Motorola's declaration to the International Telecommunications Union ("ITU"), the relevant SSO in that case, included the promise to "grant a license to an unrestricted number of applicants on a worldwide, non-discriminatory basis and on reasonable terms and conditions to use the patented material

Id. (Judge Posner citing a recently issued policy statement by the Federal Trade Commission in support of the proposition that injunctive relief is available for patent holders of FRAND-encumbered SEPs).

47 *Id.* at 913-14 (emphasis added).

48 *Id.* at 914 ("How could it [Motorola] be permitted to enjoin Apple from using an invention that it contends Apple must use if it wants to make a cell phone with UMTS telecommunications capability—without which it would not be a cell phone.") (emphasis in original).

49 *Id.* at 923.

50 *Id.* at 914.

51 There appears to be little, if any, distinction between a commitment to license SEPs on fair, reasonable, and nondiscriminatory (FRAND) verses reasonable and nondiscriminatory (RAND) terms. See Thomas F. Cotter, *Comparative Law and Economics of Standard-Essential Patents and FRAND Royalties*, 22 TEX. INTELL. PROP. L.J. 311, 312 (2014) ("The term 'RAND' for 'reasonable and nondiscriminatory' is used synonymously with FRAND."); See also Raymond T. Nimmer, *Joint standard-setting groups—Reasonable and nondiscriminatory licensing (RAND or FRAND)—What is a RAND or FRAND royalty?*, LAW OF COMPUTER TECHNOLOGY § 4:59.60 ("Many standards organizations add the word 'fair' to the patent owner's obligation (FRAND). The word 'fair' is untethered to any case law. It adds virtually nothing to the rights owner's obligation.").

52 *Microsoft Corp. v. Motorola, Inc.*, 696 F.3d 872, 889 (9th Cir. 2012).

necessary...”⁵³ The Ninth Circuit found that exclusion of potential implementers of the standard, including through the use of an injunction, would be incompatible with the “sweeping promise” Motorola had given the ITU.⁵⁴

In *Realtek Semiconductor v. LSI*,⁵⁵ Judge Whyte considered whether a SEP-holder was permitted to bring proceedings before the USITC seeking an exclusion order and an injunction against an implementer of the standard without violating the commitment to license the SEPs on RAND terms.⁵⁶ The court held that the defendants, LSI Corporation and Agere Systems, breached their RAND licensing obligations because they failed to extend a licensing offer on RAND terms prior to filing the USITC action requesting an exclusion order and injunctive relief.⁵⁷ Furthermore, Whyte stated that in agreeing to license the SEPs on RAND rates, LSI Corporation and Agere Systems implicitly agreed that monetary damages would be sufficient compensation for any infringing conduct.⁵⁸ Additionally, the court emphasized that potential licensees, such as Realtek, are harmed when SEP-holders pursue exclusion orders or

⁵³ *Id.* at 876.

⁵⁴ *Id.* at 884.

Motorola, in its declarations to the ITU, promised to “grant a license to an unrestricted number of applicants on a worldwide, non-discriminatory basis and on reasonable terms and conditions to use the patented material necessary” to practice the ITU standards. This language admits of no limitations as to who or how many applicants could receive a license (“unrestricted number of applicants”) or as to which country’s patents would be included (“worldwide,” “the patented material necessary”). Implicit in such a sweeping promise is, at least arguably, a guarantee that the patent-holder will not take steps to keep would-be users from using the patented material, such as seeking an injunction, but will instead proffer licenses consistent with the commitment made.

Id.

⁵⁵ *Realtek Semiconductor Corp. v. LSI Corp.*, 946 F. Supp. 2d 998 (N.D. Cal. 2013).

⁵⁶ *Id.* at 1000-01.

⁵⁷ *Id.* at 1005-07.

Similar to the situation in Motorola, here, defendants’ are contractually obligated under their Letters of Assurance to the IEEE to license the ‘958 and ‘867 patents on RAND terms and Realtek is a third-party beneficiary to that contract (this is not disputed). Also, like in Motorola, the act of seeking injunctive relief (here, at the ITC before proposing a RAND license to Realtek) is inherently inconsistent and a breach of defendants’ promise to license the patents on RAND terms....Defendants’ conduct in this case (bringing the ITC action before offering a license) is even more glaringly inconsistent with its RAND obligations than Motorola’s request for an injunction at the district court after offering a license to Microsoft in the Motorola case.

Id. at 1006 (emphasis in original).

⁵⁸ *Id.* at 1006-07 (“In promising to license on RAND terms, defendants here admit that monetary damages, namely a RAND royalty, would be adequate compensation for any injury it has suffered as a result of Realtek’s allegedly infringing conduct.”).

injunctive relief in violation of their RAND commitments because they give the SEP-holders undue bargaining power that can be used to pressure the potential licensees into non-FRAND terms and royalties.⁵⁹ Finally, Whyte noted that although an injunction was not appropriate in that case, injunctions may be appropriate in instances where infringers refuse to take a RAND license.⁶⁰

The court issued a preliminary injunction in the *Realtek Semiconductor v. LSI* case, barring defendants from enforcing a USITC order or injunction relating to the patents-in-suit prior to the completion of a full “RAND trial.”⁶¹ In addressing the likelihood of Realtek’s claim on the merits, the court emphasized that the defendants in this case were acting in violation of their RAND obligations in seeking an exclusion order and injunctive relief prior to the plaintiff refusing a license on RAND terms.⁶² The court found a high likelihood of irreparable harm to Realtek’s reputation as well as customer and revenue loss if an injunction or exclusionary order would be handed down and enforced against it as a result of the USITC suit.⁶³ The balancing of equities also came out in Realtek’s favor because allowing an exclusionary order to apply to Realtek’s products would have resulted in loss of its customers who use, sell, or import the products practicing the relevant standard and also force Realtek to conduct the RAND negotiation from a weakened position.⁶⁴ The public interest factors likewise favored Realtek because allowing a preliminary injunction enjoining the defendants from enforcing an

59 *Id.* at 1006 (“Realtek is harmed as a result of the breach because the pending threat of an exclusion order gives defendants inherent bargaining power in any RAND licensing negotiation that may now take place.”).

60 *Id.* at 1007.

While an injunction may be warranted where an accused infringer of a standard-essential patent outright *refuses* to accept a RAND license... there is no indication that Realtek is *not* willing to accept a RAND license. In fact, Realtek admits that it would accept a RAND license, as long as it may preserve its rights to appeal and to maintain its defenses at the ITC, the venue in which *defendants* elected to pursue their infringement claims.

Id.

61 *Id.* at 1009-10. A “full RAND trial” alludes to the determination of patent validity and infringement, the reach of the RAND commitment, and the determination of the appropriate licensing terms and RAND rates.

62 *Id.* at 1008-09.

63 *Id.* at 1009.

64 *Id.*

injunction or exclusion order against Realtek “[made] it clear that commitments to make patents available on reasonable terms matter.”⁶⁵

However, at least one United States court found that the precise wording of the FRAND obligations of a SEP-holder did not limit its access to injunctive relief.⁶⁶ During the parties’ motions in limine in *Apple v. Motorola* (“*Apple v. Motorola IP*”),⁶⁷ Judge Crabb, in examining Motorola’s obligations to two standard setting organizations, the Institute of Electrical and Electronics Engineers (“IEEE”) and European Telecommunications Standards Institute (“ETSI”), found no language in the obligations to indicate an intent or agreement to prevent Motorola from seeking injunctions for its SEPs.⁶⁸ Because patent owners may typically seek injunctions in district courts pursuant to 35 U.S.C. § 283,⁶⁹ and in the International Trade Commission, pursuant to 19 U.S.C. § 1337(d),⁷⁰ the court reasoned that “any contract purportedly depriving a patent owner of that right should clearly do so.”⁷¹ As there was no clear indication of removal of the right to seek an injunction in Motorola’s commitments to the two SSOs, Judge Crabb concluded that “Motorola did

65 *Id.* (citing to the Opening Remarks of Federal Trade Commission Chairman Jon Leibowitz as Prepared for Delivery in In the Matter of Motorola Mobility and Google, Inc., at 3, FTC File No. 121-0120 (Jan. 3, 2013), Dkt. No. 68-2).

66 *See Apple, Inc. v. Motorola Mobility, Inc.*, No. 11-CV-178-BBC, 2012 WL 5416941 (W.D. Wash. Oct. 29, 2012). Judge Robart, of the United States District Court for the W.D. of Washington, distinguished the factual circumstances of *Microsoft v. Motorola* from this case. *See Microsoft Corp. v. Motorola, Inc.*, 963 F. Supp. 2d 1176, 1190 (W.D. Wash. 2013) (“This case, unlike those cases, presents a question not of direct breach of contract but of breach of the duty of good faith and fair dealing. Microsoft plans to argue that Motorola’s ‘whole course of conduct’ vis-à-vis Microsoft breached the RAND commitment, not just its decision to seek injunctive relief.”)

67 *Id.*

68 *Id.* at *15.

69 “The several courts having jurisdiction of cases under this title may grant injunctions in accordance with the principles of equity to prevent the violation of any right secured by patent, on such terms as the court deems reasonable” 35 U.S.C. § 283.

70 19 U.S.C. § 1337(d).

If the Commission determines, as a result of an investigation under this section, that there is a violation of this section, it shall direct that the articles concerned, imported by any person violating the provision of this section, be excluded from entry into the United States, unless, after considering the effect of such exclusion upon the public health and welfare, competitive conditions in the United States economy, the production of like or directly competitive articles in the United States, and United States consumers, it finds that such articles should not be excluded from entry. The Commission shall notify the Secretary of the Treasury of its action under this subsection directing such exclusion from entry, and upon receipt of such notice, the Secretary shall, through the proper officers, refuse such entry.

19 U.S.C. § 1337(d)(1).

71 *Apple*, 2012 WL 5416941 at *15.

not breach its contracts simply by requesting an injunction and exclusionary order in its patent infringement actions.”^{72,73}

2. Administrative Proceedings and Agency Recommendations

Cumulatively, administrative proceedings and agency recommendations have likewise indicated that under most circumstances, issuance of injunctions to holders of SEPs was generally inappropriate; however, in limited circumstances, the possibility of injunctions for holders of FRAND-encumbered SEPs remains.

a. Policies of the United States International Trade Commission⁷⁴

There are a number of important differences between the operation of district courts and the USITC with respect to injunctive or exclusionary relief.⁷⁵ First, the USITC’s investigations are conducted pursuant to

⁷² *Id.*

⁷³ While the recent TCL Communications v. Ericsson decision was a landmark decision for the purposes of calculating FRAND royalties, it is not discussed extensively in this note, which is primarily concerned with examining the existing frameworks governing negotiations over licensing of FRAND-encumbered SEPs and the availability of injunctions and exclusionary orders in such disputes. Michael Loney, *Four Takeaways from the Landmark TCL v Ericsson FRAND Ruling*, MANAGING INTELLECTUAL PROPERTY (Jan. 9, 2018), <http://www.managingip.com/Article/3779666/Four-takeaways-from-the-landmark-TCL-v-Ericsson-FRAND-ruling.html>. For further reading on this case see Ericsson Inc et al v. TCL Communication Technology Holdings Ltd et al, 2:15CV02370, Final Judgement and Injunction (Dec. 22, 2017); Ericsson Inc et al v. TCL Communication Technology Holdings Ltd et al, 2:15CV02370, Memorandum of Findings of Fact and Conclusions of Law (Dec. 21, 2017); David Long, *Judge Selna determines FRAND Rate and enters contract-type injunction on ETSI SEPs (TCL v. Ericsson)*, ESSENTIAL PATENT BLOG (Jan. 3, 2018), <https://www.essentialpatentblog.com/2018/01/judge-selna-determines-frand-rate-enters-contract-type-injunction-etsi-seps-tcl-v-ericsson/>; Jorge Contreras, *Guest Post by Prof. Jorge Contreras: TCL v. Ericsson: The First Major U.S. Top-Down FRAND Royalty Decision*, PATENTLYO (Dec. 27, 2017), <https://patentlyo.com/patent/2017/12/contreras-ericsson-decision.html>.

⁷⁴ The United States International Trade Commission [hereinafter “ITC”] is an independent, quasi-judicial Federal agency, which investigates matters related to trade. *About the USITC*, USITC, https://www.usitc.gov/press_room/about_usitc.htm (last visited Oct. 22, 2017). In addition to bringing a suit in a district court, a patentee can bring a claim of patent infringement at the ITC; although the USITC cannot grant money damages, it can issue exclusion orders that prevent the importation of infringing products into the United States. Jones Day, *Standards-Essential Patents and Injunctive Relief*, at 3, Apr. 2013, <https://www.jonesday.com/files/Publication/77a53dff-786c-442d-8028-906e1297060b/Presentation/PublicationAttachment/270fc132-6369-4063-951b-294ca647c5ed/Standards-Essential%20Patents.pdf>.

⁷⁵ There are also three key differences between seeking redress for patent infringement at the district courts versus at the USITC not related to infringement: first, USITC “investigations related to patent infringement are [...] limited to importation-related infringement;” second, damages are not

Section 337⁷⁶ of the Tariff Act, and therefore the *eBay* four factor test for awarding injunctive relief does not apply to its decisions.⁷⁷ Second, the USITC is required⁷⁸ to issue exclusion orders⁷⁹ in cases where Section 337 violations are present, unless public interests factors indicate otherwise.⁸⁰

available at the USITC; third, USITC proceedings typically occur in a shorter time frame than most suits brought in United States district courts. *An Overview of Section 337 Actions in the ITC*, FINDLAW, <http://corporate.findlaw.com/intellectual-property/an-overview-of-section-337-actions-in-the-itc.html>.

76 Section 337, of the Tariff Act of 1930, covers investigations of unfair practices in import trade and is therefore used to determine whether unfair competition exists during the importation or sale of products in the United States, including whether the products infringe a valid and enforceable U.S. patent or other form of intellectual property rights. *Understanding Investigations of Intellectual Property Infringement And Other Unfair Practices In Import Trade (Section 337)*, USITC, https://www.usitc.gov/press_room/us337.htm (last visited Oct. 22, 2017).

77 See Jones Day, *supra* note 74, at 3. Prior to the 2006 *eBay* case, it was generally accepted by the courts that a showing of patent infringement entitled that patent holder to an injunction against the infringer; however, in response to the apparent problem of patent hold-up, the Supreme Court indicated the same four factor test used for injunctions generally needed to be satisfied in cases involving patent infringement. Doris Johnson Hines & J. Preston Long, *The Continuing (R)evolution of Injunctive Relief in the District Courts and the International Trade Commission* [hereinafter Hines & Long, *The Continuing Revolution*], FINNEGAN, Jan./Feb. 2013, <https://www.finnegan.com/en/insights/the-continuing-r-evolution-of-injunctive-relief-in-the-district.html>. See also *eBay, Inc. v. MercExchange*, 547 U.S. 388, 391 (2006). Following the shift to this higher standard, patent owners pivoted to filing complaints with the USITC, which has the power to grant cease and desist orders and exclusion orders against infringing product. Hines & Long, *The Continuing Revolution*.

78 See 19 U.S.C. § 1337(d)(1).

If the Commission determines, as a result of an investigation under this section, that there is a violation of this section, *it shall* direct that the articles concerned, imported by any person violating the provision of this section, be excluded from entry into the United States, *unless*, after considering the effect of such exclusion upon the public health and welfare, competitive conditions in the United States economy, the production of like or directly competitive articles in the United States, and United States consumers, it finds that such articles should not be excluded from entry.

Id. (emphasis added). This means that it is easier to obtain exclusionary relief under Section 337 at the USITC than it is to satisfy the equitable requirements under the *eBay* test at the district courts. See Hines & Long, *Continuing Revolution*, *supra* note 77.

Although the rate at which district courts grant permanent injunctions to successful patent owners dropped from about 95 percent to about 75 percent after *eBay*, the ITC continues to grant C&Ds and LEOs to successful patent owners (with a domestic industry) as a matter of course. This means that the likelihood of obtaining injunctive-type relief is about 25 percent higher for successful patent owners in the ITC as opposed to successful patent owners in the district courts.

Hines & Long, *Continuing Revolution*, *supra* note 77.

79 The relevant remedies the USITC may grant include: limited exclusion orders, temporary limited exclusion orders, general exclusion orders, cease and desist orders, and temporary cease and desist orders. See *Understanding Investigations of Intellectual Property Infringement And Other Unfair Practices In Import Trade (Section 337)*, *supra* note 80.

80 *Id.* at 14. These public interest factors include: “the effect of such exclusion upon the public health and welfare, competitive conditions in the United States economy, the production of like or directly competitive articles in the United States, and United States consumers” *Id.*; See also 19 U.S.C. § 1337(d)(1).

Respondents in USITC investigations involving FRAND-encumbered SEPs have raised FRAND-based defenses⁸¹ and cited public interest factors as reasons for denying exclusion orders sought by holders of FRAND-encumbered SEPs.⁸² In a number of these investigations, the USITC requested submissions on the FRAND-related issues and public interest factors prior to deciding on the exclusion order in question;⁸³ these submissions were sought in accordance with 19 U.S.C. §1337(b)(2), which indicates that the USITC should consult with relevant departments and agencies, including the United States Department of Justice (“USDOJ”) and the United States Federal Trade Commission (“USFTC”).⁸⁴

i. Recommendations of the United States Federal Trade Commission

The USFTC⁸⁵ submitted a third-party statement⁸⁶ on the public interest in the ‘745, ‘752 and ‘794 USITC investigations.⁸⁷ The agency stated that

81 See Jones Day, *supra* note 74, at 4.7. These defenses can include claiming the existence of an implied license, waiver, equitable estoppel, and unclean hands; additionally, typical counterclaims in investigation of patent infringement of FRAND-encumbered SEPs include both breach of contract and antitrust laws. *Id.*

82 See Jones Day, *supra* note 74, at 6.

83 See Jones Day, *supra* note 74, at 8.

84 19 U.S.C. §1337(b)(2) (“During the course of each investigation under this section, the Commission shall consult with, and seek advice and information from, the Department of Health and Human Services, the Department of Justice, the Federal Trade Commission, and such other departments and agencies as it considers appropriate.”). The agencies which responded include the United States Federal Trade Commission, *see infra* Section III(A)(ii)(A)(a), The United States Department of Justice, and the Patent and the United States Patent and Trademark office, *see infra* Section III(A)(ii)(A)(b).

85 The Federal Trade Commission is a bipartisan federal agency of the United States government which aims to protect consumers by preventing anticompetitive, deceptive, and unfair business practices. *What We Do*, FTC, <https://www.ftc.gov/about-ftc/what-we-do> (last visited Oct. 22, 2017).

86 Third Party U.S.F.T.C.’s Statement on the Pub. Int., In re Certain Wireless Communication Devices, Portable Music & Data Processing Devices, Computers & Components Thereof, Inv. No. 337-TA-745 (“In re Certain Wireless”) (June 6, 2012), www.ftc.gov/os/2012/06/1206ftcwirelesscom.pdf.

87 See Jones Day, *supra* note 74, at 7-9. Motorola was the complainant and Apple was the respondent in the ‘754 Investigation, titled *Certain Wireless Communication Devices, Portable Music and Data Processing Devices, Computers and Components Thereof* (Inv. No. 337-TA-745). *Id.* at 7. In the ‘745 Investigation, Motorola alleged Apple infringed a number of its telecommunication patents, including two patents which were subject to FRAND commitments under agreements with the European Telecommunications Standards Institute (“ETSI”) and the Institute of Electrical and Electronics Engineers (“IEEE”). *Id.* In the ‘752 Investigation, *Certain Gaming and Entertainment Consoles, Related Software, and Components Thereof* (Inv. No. 337-TA-752), complainant Motorola claimed Microsoft infringed its video encoding technology and wireless communication patents,

the “[US]ITC issuance of an exclusion or cease and desist order in matters involving RAND-encumbered SEPs, where infringement is based on implementation of standardized technology, has the potential to cause substantial harm to U.S. competition, consumers, and innovation.”⁸⁸ The underlying concern was that the holders of RAND-encumbered SEPs could use the threat of an exclusion order to get unreasonable terms and rates for their patents despite having agreed to license them on RAND terms.⁸⁹ The USFTC further argued that the USITC could rely on the public interest factors of Section 337⁹⁰ to deny exclusion orders in circumstances where the holders of RAND-encumbered SEPs had not provided a RAND offer to the alleged infringer.⁹¹ In conclusion, the USFTC urged the USITC to “consider the impact of patent-hold-up on competitive conditions and the United States consumers.”⁹²

ii. Recommendations of the United States Department of Justice & The United States Patent and Trademark Office

Likewise, the USDOJ⁹³ and the United States Patent and Trademark Office (“USPTO”)⁹⁴ issued a joint statement.⁹⁵ This statement

including patents with FRAND commitments to IEEE and the International Telecommunication Union (“ITU”). *Id.* In the ‘79, *Certain Electronic Devices, Including Wireless Communication Devices, Portable Music, and Data Processing Devices, and Tablet Computers* (Inv. No. 337-TA-794), complainant Samsung alleged that Apple violated five of its patents, at least some of which were subject to FRAND commitments under Samsung’s agreement with ETSI. *Id.* at 8.

⁸⁸ In re Certain Wireless, *supra* note 86, at 1.

⁸⁹ See In re Certain Wireless, *supra* note 86, at 3-4.

Simply put, we are concerned that a patentee can make a RAND commitment as part of the standard setting process, and then seek an exclusion order for infringement of the RAND-encumbered SEP as a way of securing royalties that may be inconsistent with that RAND commitment... [T]he threat of an exclusion order may allow the holder of a RAND-encumbered SEP to realize royalty rates that reflect patent hold-up, rather than the value of the patent relative to alternatives, which could raise prices to consumers while undermining the standard setting process.

⁹⁰ See 19 U.S.C. § 1337(d)(1).

⁹¹ In re Certain Wireless, *supra* note 86, at 4.

Alternatively, the ITC could delay the effective date of its Section 337 remedies until the parties mediate in good faith for damages for past infringement and/or an ongoing royalty for future licensed use, with the parties facing the respective risks that the exclusion order will (i) eventually go into effect if the implementer refuses a reasonable offer or (ii) be vacated if the ITC finds that the patentee has refused to accept a reasonable offer.

⁹² In re Certain Wireless, *supra* note 86, at 5.

⁹³ The United States Department of Justice (“USDOJ”) is an executive-branch agency tasked with enforcing the law and protecting consumers by promoting competition. *The Executive Branch*, WHITEHOUSE.GOV, <https://www.whitehouse.gov/1600/executive-branch> (last visited Oct. 22, 2017);

underscored that an injunction or exclusion order may not align with public interests, especially where the terms of a FRAND commitment contradict such actions by the FRAND-encumbered SEP holder.⁹⁶ In these instances, allowing the holder to obtain an injunction or exclusion order would amount to granting her the enhanced market power that SSOs attempt to restrain using FRAND agreements in the first place.⁹⁷ Such enhanced market power has the potential to harm competition and consumers.⁹⁸ Thus, the USDOJ and USPTO advocated for the USITC to consider the statutory public interest factors under Section 337 prior to issuing injunctions and exclusion orders to holders of FRAND-burdened SEPs, suggesting such orders may be inappropriate under most circumstances.⁹⁹ However, the USDOJ and USPTO indicated a request for

USDOJ and USPTO, *Policy Statement on Remedies for Standards Essential Patents Subject to Voluntary F/RAND Commitments*, at 8, Jan. 8, 2013, (“USDOJ and USPTO”), available at <https://www.justice.gov/atr/page/file/1118381/download>.

94 The United States Patent and Trademark Office (“USPTO”) is an agency in the U.S. Department of Commerce tasked with granting patents and registering trademarks; the USPTO also “advises the president of the United States, the secretary of commerce, and U.S. government agencies on intellectual property (IP) policy, protection, and enforcement.” *United States Patent and Trademark Office (USPTO)*, COMMERCE.GOV, <https://www.commerce.gov/doc/united-states-patent-and-trademark-office#4/37.71/-99.48> (last visited Oct. 22, 2017).

95 See USDOJ and USPTO, *supra* note 93, at 1.

96 See USDOJ and USPTO, *supra* note 93, at 6.

97 See USDOJ and USPTO, *supra* note 93, at 6.

A decision maker could conclude that the holder of a F/RAND-encumbered, standards-essential patent had attempted to use an exclusion order to pressure an implementer of a standard to accept more onerous licensing terms than the patent holder would be entitled to receive consistent with the F/RAND commitment—in essence concluding that the patent holder had sought to reclaim some of its enhanced market power over firms that relied on the assurance that F/RAND-encumbered patents included in the standard would be available on reasonable licensing terms under the SDO’s policy.

Id.

98 See USDOJ and USPTO, *supra* note 93, at 6 (“Such an [exclusion] order may harm competition and consumers by degrading one of the tools SDOs employ to mitigate the threat of such opportunistic actions by the holders of F/RAND-encumbered patents that are essential to their standards.”).

99 Jones Day, *supra* note 74, at 9 (“On January 8, 2013, the DOJ joined with the USPTO in issuing a statement that strongly urged the ITC to apply the statutory public interest factors to cases where the holder of a SEP, having made a FRAND commitment, seeks an exclusion order. The joint statement identified *just two circumstances* in which such an exclusion order might be appropriate: where the ‘putative licensee’ either (i) refuses to take a license or (ii) is ‘not subject to the jurisdiction of a court that could award damages.’”) (emphasis added); See also USDOJ and USPTO, *supra* note 99, at 9-10 (“[a]lthough, as described above, an exclusion order for infringement of F/RAND-encumbered patents essential to a standard may be appropriate in some circumstances, we believe that, depending on the facts of individual cases, the public interest may preclude the issuance

an exclusion order would be appropriate where the would-be-licensee: (1) is unable or refuses¹⁰⁰ to take a license or (2) is “not subject to the jurisdiction of a court that could award damages.”¹⁰¹ In sum, both the USDOJ and USPTO requested that the USITC consider whether “a patent holder has acknowledged voluntarily though a commitment to license its patents on F/RAND terms that monetary damages, rather than injunctive or exclusionary relief, is the appropriate remedy for infringement.”¹⁰²

*b. The United States International Trade Commission
Decision in the ‘794 Investigation*

Despite these Recommendations from the USFTC, USDOJ, and USPTO, in one investigation, Inv. No. 337-TA-794, the USITC came out with a ruling for the holder of FRAND-burdened SEPs.¹⁰³ In its ruling, the USITC found that Apple violated Section 337 and issued a limited exclusion order banning the infringing Apple products from importation into the United States.¹⁰⁴ In addition, the USITC issued a cease and desist order, prohibiting the sale and distribution of the infringing products within the United States.¹⁰⁵ This decision led to a public statement of disapproval of the USITC’s decision by the United States Trade Representative (“USTR”),¹⁰⁶ which rendered the orders of the USITC in the ‘794 case ineffective under 19 U.S.C. §1337 (j)(2).¹⁰⁷

of an exclusion order in cases where the infringer is acting within the scope of the patent holder’s F/RAND commitment and is able, and has not refused, to license on F/RAND terms.”).

100 “Such a refusal could take the form of a constructive refusal to negotiate, such as by insisting on terms clearly outside the bounds of what could reasonably be considered to be F/RAND terms in an attempt to evade the putative licensee’s obligation to fairly compensate the patent holder.” USDOJ and USPTO, *supra* note 93, at 7.

101 See Jones Day, *supra* note 74, at 9; See also USDOJ and USPTO, *supra* note 99, at 7.

102 Goldstein et al., *FTC/DOJ/USPTO Take Action on Standards-Essential Patents*, BLOGS.ORRICK.COM (Feb. 4, 2013), <https://blogs.orrick.com/antitrust/2013/02/04/dojftcuspto-take-action-on-standards-essential-patents/>.

103 *ITC issues exclusion order against Apple based on infringement of Samsung 3G-essential patent* (Inv. No. 337-TA-794), ESSENTIAL PATENT BLOG (June 4, 2013), <https://www.essentialpatentblog.com/2013/06/breaking-itc-issues-exclusion-order-against-apple-based-on-infringement-of-samsung-3g-essential-patent/>.

104 *Id.* The Notice of Final Determination in Inv. No. 337-TA-794 is available at https://www.usitc.gov/secretary/fed_reg_notices/337/337-794_notice06042013sgl.pdf.

105 *Id.* See also *ITC releases public version of the Commission opinion (and dissent) in Samsung-Apple case (337-TA-794)*, ESSENTIAL PATENT BLOG (July 8, 2013), <https://www.essentialpatentblog.com/2013/07/itc-releases-public-version-of-the-commission-opinion-and-dissent-in-samsung-apple-case-337-ta-794/>.

106 Memorandum from Ambassador Michael B. G. Froman, The U.S. Trade Representative, Exec. Office of the President, to Honorable Irving A. Williamson, Chairman, U.S. Int’l Trade

c. The United States Trade Representative's Disapproval

Under Section 337, the President, through the USTR, may, within a 60-day period, disapprove of an order of the USITC on policy grounds, thus preventing it from going into effect.¹⁰⁸ The USTR, Ambassador at the time, Michael B. G. Froman, wrote a memorandum to Irving A. Williamson, Chairman of the USITC, voicing such disapproval of the June 4, 2013 USITC exclusion and cease and desist orders against Apple.¹⁰⁹ The USTR relied on the January 8, 2013 joint statement of the USDJO and USPTO in expressing his concerns regarding the order and specifically stated “exclusionary relief from the Commission based on FRAND-encumbered SEPs should be available based only on the relevant factors described in the Policy Statement.”¹¹⁰ The USTR requested that in future cases involving holders of FRAND-encumbered SEPs seeking injunctive or exclusionary relief, the Commission:

(1) examine thoroughly and carefully on its own initiative the public interest issues presented both at the outset of its proceeding and when determining whether a particular remedy is in the public interest and (2) seek proactively to have the parties develop a comprehensive factual record related to these issues in the proceedings before the Administrative Law Judge and during the

Comm’n (Aug. 3, 2013) [hereinafter Trade Representative Disapproval], available at https://ustr.gov/sites/default/files/08032013%20Letter_1.PDF.

107 19 U.S.C. §1337 (j)(2).

If, before the close of the 60-day period beginning on the day after the day on which he receives a copy of such determination, the President, for policy reasons, disapproves such determination and notifies the Commission of his disapproval, then, effective on the date of such notice, such determination and the action taken under subsection (d), (e), (f), (g), or (i) with respect thereto shall have no force or effect.

In this instance the United States Trade Representative (“USTR”) was acting in his representative capacity as a member of the executive branch on behalf of the President—that is, the President disapproved of the actions of the USITC through the letter of the USTR. *See* Trade Representative Disapproval, *supra* note 106, at 1.

108 Trade Representative Disapproval, *supra* note 106, at 1.

109 Trade Representative Disapproval, *supra* note 106, at 3

I have decided to disapprove the USITC’s determination to issue an exclusion order and cease and desist order in this investigation. This decision is based on my view of various policy considerations discussed above as they relate to the effect on the competitive conditions in the U.S. economy and the effect on U.S. consumers.

Id.

110 Trade Representative Disapproval, *supra* note 106, at 2 (noting the two appropriate instances outlined in the policy statement as when: “a putative licensee is unable or refuses to take a FRAND license” or “a putative licensee is not subject to the jurisdiction of a court that could award damages”).

formal remedy phase of the investigation before the Commission, including information on the standards-essential nature of the patent at issue if contested by the patent holder and the presence or absence of patent hold-up or reverse hold-up.¹¹¹

Furthermore, additional guidance regarding the availability of injunctions in cases involving FRAND-encumbered SEPs can be found through examining USFTC settlement agreements.

i. United States Federal Trade Commission Settlements

Additionally, a number of USFTC settlements, including *In the Matter of Bosch*¹¹² and *In the Matter of Motorola Mobility*,¹¹³ show voluntary outcomes of negotiations involving FRAND-encumbered SEPs.¹¹⁴ While these decisions are not legal precedent, they do provide valuable guidance to parties engaged in licensing negotiations of FRAND-encumbered SEPs.¹¹⁵

Under the Bosch agreement, Bosch is obligated to license its SPX essential patents under FRAND terms and may seek injunctive relief only in the following instances: (1) a court determines the SEP is being used for a purpose other than to conform to the standard it is essential to; (2) a party, in writing, refuses to license the SEP(s); or (3) a party refuses to license the SEP(s) “on the terms which have been found to comply with the Letter of Assurance through a process agreed upon by both parties or through a court.”¹¹⁶ Although this settlement is only binding on Bosch, it indicates that as a policy matter the USFTC sees injunctive relief for holders of FRAND-encumbered SEPs as appropriate only in exceptional circumstances.¹¹⁷

¹¹¹ Trade Representative Disapproval, *supra* note 106, at 3.

¹¹² *In the Matter of Robert Bosch GmbH*, Decision and Order of the FTC in the Matter of Robert Bosch GmbH FTC File Number 121-0081 [hereinafter *In re Robert Bosch*], <https://www.ftc.gov/enforcement/cases-proceedings/1210081/bosch-robert-bosch-gmbh>.

¹¹³ *In the Matter of Motorola Mobility*, Decision and Order of the FTC in the Matter of Motorola Mobility FTC File Number 121-0120, <https://www.ftc.gov/enforcement/cases-proceedings/1210120/motorola-mobility-llc-google-inc-matter>.

¹¹⁴ David Healey & Andrew Kopsidas, Litigation Webinar Series: INSIGHTS-Injunctive Relief for Standard-Essential Patents, FISH & RICHARDSON (Dec. 4, 2013), https://www.fr.com/wp-content/uploads/2014/12/Injunctive-Relief-for-SEPs_November2013_INSIGHTS.pdf.

¹¹⁵ *Id.*

¹¹⁶ *See In the Matter of Robert Bosch*, *supra* note 112, at 14.

¹¹⁷ *Id.* The exceptions listed in the paragraph were the only circumstances under which Bosch would be allowed to initiate or threaten to initiate proceedings requesting injunctive relief. *Id.*

Similarly, in considering *In the Matter of Motorola Mobility*, the USFTC viewed Motorola's actions of requesting injunctive relief as a holder of FRAND-encumbered SEPs as abuse of market power because it sought injunctions against "willing" licensees.¹¹⁸ Commentators reviewing the settlement decree drew out a number of broad implications for both SEP owners and potential licensees.¹¹⁹ First, so long as potential licensees have not clearly indicated they will not pay a FRAND royalty, they will be deemed "willing" licensees and the SEP holder may not seek an injunction against them.¹²⁰ Second, the FRAND commitment is non-revocable under most circumstances.¹²¹ Third, holders of FRAND-encumbered SEPs may request cross-licenses¹²² when these licenses are for SEPs belonging to the same standard as the SEPs required by the potential licensee.¹²³ Fourth, the decree indicates that injunctive relief should be available under the following circumstances:

- [1] Potential licensee is not subject to United States jurisdiction;
- [2] Potential licensee has declared in writing

118 Jay Jurata et. al, *FTC-Google consent decree provides important lessons regarding standards-essential patents*, LEXOLOGY (Jan. 4, 2013), <https://www.lexology.com/library/detail.aspx?g=4ba2ef45-bcae-4c93-87d5-f9a353db8f82>. To avoid being labeled as an unwilling licensee, potential licensees must respond promptly upon receipt of a notice of infringement and indicate their willingness to engage in good-faith negotiations. *Id.* One way to demonstrate willingness to enter good faith negotiations is to agree both to adjudication through binding arbitration or litigation and to abide by those terms. *Id.* However, "[w]hile licensing negotiations are pending, potential licensees are not barred from challenging the validity, essentiality, claim of infringement, or value of the patents at issue;" moreover only a *clear indication* that a licensee will not pay a FRAND royalty, will be sufficient to show the licensee is unwilling. *Id.* Judging from the decree, a clear indication that a licensee is unwilling would have to be, or rise to the same level as the following instances:

- [(1) a p]otential licensee has declared in writing or sworn testimony that it will not accept a license for a FRAND-encumbered license on any terms;
- [(2) a p]otential licensee refuses to enter a license agreement for FRAND-encumbered SEPs on terms determined by a court or through binding arbitration; or
- [(3) a p]otential licensee fails to assure SEP owner, after an opportunity to do so, that it is willing to enter into a license on FRAND terms.

Id.

119 *Id.*

120 *Id.*

121 *Id.* Exceptions include instances where "the relevant standard no longer exists, the SEP owner no longer owns the SEPs encumbered by the FRAND commitment, or such SEPs are no longer enforceable." *Id.*

122 "When used in the context of patents, a cross-licensing agreement is an agreement pursuant to which two or more license holders exchange licenses so that each party may benefit from the other's patent." *Cross-Licensing Agreement Law and Legal Definition*, USLEGAL, <https://definitions.uslegal.com/c/cross-licensing-agreement/>. Typically, patent holders enter into these agreements when each one has ownership of some of the intellectual property required to produce a certain product. *Id.*

123 See Jay Jurata et. al, *supra* note 118.

or sworn testimony that it will not accept a license for a FRAND-encumbered license on any terms; [3] Potential licensee refuses to enter a license agreement for FRAND-encumbered SEPs on terms determined by a court or through binding arbitration; or [4] Potential licensee fails to assure SEP owner, after an opportunity to do so, that it is willing to enter into a license on FRAND terms.¹²⁴

Moreover, the decree indicates that it is not appropriate for a holder of FRAND-encumbered SEPs to request injunctive relief while the potential licensee is seeking a FRAND determination through arbitration or judicial proceedings.¹²⁵ Finally, in a transfer or sale of FRAND-encumbered SEPs, holders are required to obtain assurances that the party procuring the patents will carry out the FRAND obligations and will seek the same assurances from any future holder of the patents.¹²⁶

Thus, United States case law, administrative proceedings, agency recommendations, and USFTC settlements indicate that while under most circumstances the issuance of injunctions and exclusion orders to holders of SEPs is not appropriate, exceptional circumstances may warrant such actions.¹²⁷

B. European Legal Precedent

Two recent court decisions illuminate the approach of the European Union to allowing holders of FRAND-encumbered SEPs to petition for injunctive relief. The first decision is the ruling of the Court of Justice of the European Union (“CJEU”) in *Huawei v. ZTE*,¹²⁸ a seminal case outlining the basic framework used for negotiations over the licensing of FRAND-encumbered SEPs in the European Union. The second decision is Minister Justice Colin Birss’ opinion in the United Kingdom case *Unwired Planet v. Huawei*,¹²⁹ which is arguably a flexible application of the *Huawei* framework by an English court. Significantly, since being handed down, *Huawei* has been considered in resolving disputes over the

124 See Jay Jurata et. al, *supra* note 118.

125 See Jay Jurata et. al, *supra* note 118.

126 See Jay Jurata et. al, *supra* note 118.

127 See generally Section III(A).

128 *Huawei Techs. Co. Ltd. v. ZTE Corp.* (C-170/13) (CJEU 2015) [hereinafter *Huawei*], available at <http://curia.europa.eu/juris/document/document.jsf?docid=165911&doclang=en>.

129 *Unwired Planet Int. Ltd v. Huawei Technologies Co. Ltd.*, [2017] EWHC 1304 (Pat) [hereinafter *Unwired Planet Injunction Hearing*], available at <http://www.bailii.org/ew/cases/EWHC/Patents/2017/1304.html>.

availability of injunctions for owners of SEPs in German, Italian, English, Romanian, and French courts;¹³⁰ German courts have been the most prolific in writing on the application of *Huawei*, and the English courts a distant second.¹³¹ Additionally, in November of 2017, the European Commission issued a Communication on Setting out the EU Approach to Standard Essential Patents, which, relying on national case law, provided further guidance for the application of the *Huawei* framework.¹³²

I. European Case Law

a. Huawei v. ZTE

Huawei v. ZTE provided much needed clarification regarding the obligations of parties engaged in licensing negotiations of FRAND-encumbered SEPs.¹³³ This case imposed a new, specific, and arguably sequential¹³⁴ set of obligations on licensors and licensees in negotiating FRAND royalties.¹³⁵ These general guidelines, or “safe harbors” are outlined below.

130 The 4iP Council is a European research institution which specializes in empirical research related to intellectual property and innovation. *Case Law Post CJEU Ruling Huawei v. ZTE: About Us*, 4iP COUNCIL, <https://www.4ipcouncil.com/about> (last visited Oct. 21, 2018). This organization maintains a repository, which, as of October 2018 contains forty summaries of decisions rendered post-*Huawei* addressing “the conditions under which a standard essential patent holder may seek injunctive relief for infringement of his patents;” decisions are available from German, Italian, English, Romanian, French, and Dutch courts. *Case Law Post CJEU Ruling Huawei v. ZTE: Preliminary Remarks*, 4iP COUNCIL, <https://caselaw.4ipcouncil.com/> (last visited Oct. 21, 2018).

131 For instance, as of October 2018, out of the forty post-*Huawei* decisions published by the 4iP Council, twenty-six decisions are from German courts and nine are from English courts. *Case Law Post CJEU Ruling Huawei v. ZTE: German Court Decisions*, 4iP COUNCIL, <https://caselaw.4ipcouncil.com/> (last visited Oct. 21, 2018); *Case Law Post CJEU Ruling Huawei v. ZTE: English Court Decisions*, 4iP COUNCIL, <https://caselaw.4ipcouncil.com/> (last visited Oct. 21, 2018).

132 THE EUROPEAN COMMISSION, COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL AND THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE: SETTING OUT THE EU APPROACH TO STANDARD ESSENTIAL PATENTS 9 (2017) (“EU APPROACH TO SEPs”).

133 Christa Brown-Sanford & Bethany R. Ford, *Post-Huawei FRAND Licensing of Standards-Essential Patents*, BAKERBOTTS (June 2016), <http://www.bakerbotts.com/ideas/publications/2016/06/ip-report-post-huawei-frand-licensing>.

134 The Mannheim Court in *Saint Lawrence v. Deutsche Telekom* did not indicate that the *Huawei* factors required sequential execution of the obligations. *Id.* However, the Oberlandesgericht Düsseldorf court (an appellate court) has indicated that after the initial obligation to provide notice and FRAND offer, subsequent obligations arise only if the other party meets the preceding obligation. *Id.* Under the Düsseldorf court’s interpretation of the *Huawei* factors, if the patent owner provides insufficient notice or fails to provide a sufficiently specific offer on FRAND terms, the licensee’s obligation is not triggered. *Id.*

135 *Id.*

(1) To comply with the FRAND commitment, the holder of FRAND-encumbered SEPs must provide the alleged infringer with written notice of infringement,¹³⁶ specifying the allegedly-infringed SEPs and their infringing use, prior to pursuing injunctive relief.¹³⁷

(2) Following this, the alleged infringer must express her willingness to license the SEPs she infringes on FRAND terms.¹³⁸

(3) The SEP-holder must then provide the alleged infringer with a “a specific, written offer for a licence [*sic*] on FRAND terms, in accordance with the undertaking given to the standardization [*sic*] body, specifying, in particular, *the amount of the royalty and the way in which that royalty is to be calculated.*”¹³⁹

(4) The alleged infringer must respond “diligently” to the SEP-holder’s offer, “in accordance with recognised [*sic*] commercial practices in the field and in good faith;”¹⁴⁰

(5) If the alleged infringer refuses the SEP-holder’s offer, she must promptly¹⁴¹ present a written and reasonable counteroffer on FRAND terms to retain her rights to obtain a prohibitory injunction against the SEP-holder on the grounds of abuse of dominant position.¹⁴²

136 The Mannheim and Düsseldorf District Courts have indicated that the submission of claim charts is sufficient, and that the notice, at a minimum, should contain the number of the allegedly infringed patent, indicate the patent is standard-essential, and outline the allegedly infringing features of a product. Peter Chrocziel & Jan Bösing, *Interpretation and Application of Huawei by German Courts*, IAM MANAGEMENT REPORT (May 23, 2016), <https://www.iam-media.com/frandseps/sep-and-frand-2016-interpretation-and-application-huawei-german-courts>. See also *Landgericht Mannheim* [LG] [Regional Court] Jan. 29, 2016, *NTT DocoMo v. HTC*, 7 O 66/15 (Ger.); *Landgericht Dusseldorf* [LG] [Regional Court] March 31, 2016, *Saint Lawrence v. Vodafone*, 4a O 73/14 (Ger.).

137 Huawei, *supra* note 128, ¶ 61.

138 Huawei, *supra* note 128, ¶ 63. While there is no uniform timeframe under which a response is considered timely, German courts have found waiting more than five months, three months constitutes unreasonable delay. Chrocziel & Bösing, *supra* note 136. See also *Landgericht Mannheim* [LG] [Regional Court] Nov. 27, 2015, *St. Lawrence v. Deutsche Telekom*, 2 O 106/14 (Ger.); LG, *Saint Lawrence v. Vodafone*, 4a O 73/14.

139 Huawei, *supra* note 128, ¶ 63 (emphasis added).

140 Huawei, *supra* note 128, ¶ 66; The Düsseldorf Higher Regional Court has held that an alleged infringer of a standard-essential patent is required to provide a counter offer only if the initial offer is on FRAND terms, however other courts have ruled that a counteroffer is required regardless of whether the initial offer was FRAND, or that the initial offer “not contradict FRAND terms on summary assessment.” Chrocziel & Bösing, *supra* note 136 (citing LG, *Saint Lawrence v. Vodafone*, 4a O 73/14; LG, *St. Lawrence v. Deutsche Telekom*, 2 O 106/14; LG, *NTT DocoMo v. HTC*, 7 O 66/15).

141 While what constitutes a reasonably timely response is fact-dependent; the Mannheim District Court found eighteen months constituted an unreasonable delay in providing a counteroffer and the Düsseldorf District court found six months to be too long of a delay. Chrocziel & Bösing, *supra* note 136 (citing LG, *NTT DocoMo v. HTC*, 7 O 66/15; LG, *Saint Lawrence v. Vodafone*, 4a O 73/14).

142 Huawei, *supra* note 128, at ¶ 66.

(6) Once an alleged infringer's counter-offer is refused, it must "provide appropriate security,"¹⁴³ in accordance with recognised [*sic*] commercial practices in the field," if she continues to use the SEP-holder's patented technology prior to the conclusion of a licensing agreement between the parties.¹⁴⁴

(6) Additionally, upon refusal of the counter-offer, the parties may agree to the determination of FRAND royalty by an independent third party.¹⁴⁵

(7) Both throughout and following licensing negotiations, the alleged infringer may challenge the validity of the asserted SEPs, their essentiality to a standard, and their alleged use.¹⁴⁶

b. Unwired Planet v. Huawei

The United Kingdom *Unwired Planet* decision is another significant legal precedent because it creates a new, special kind of injunction, labeled by commentators as a "FRAND injunction."¹⁴⁷ *Unwired Planet* bought a part of Ericsson's portfolio of SEPs and sued Huawei, Google, and Samsung Electronics for patent infringement in the United Kingdom.¹⁴⁸ Google and Samsung settled, while Huawei continued to litigate the matter.¹⁴⁹ Minister Justice Colin Birss held three technical trials addressing the validity, infringement, and essentiality of *Unwired Planet's* patents, finding two patents contained claims which were valid,

143 What constitutes an appropriate security is not clear, however, district court decisions have indicated that the security's magnitude is a significant determinant. Chroczel & Bösing, *supra* note 136. For instance one Mannheim District Court found that an alleged infringer must base its security on its counter-offer and another Mannheim District Court indicated that where the licensing negotiation were for a worldwide portfolio, the security must be calculated based on a worldwide rather than a country-by-country bases; other German literature, however, suggests the SEP-holder's offer, rather than the alleged infringer's counteroffer, should be used to determine the security. *Id.* (citing LG, *St. Lawrence v. Deutsche Telekom*, 2 O 106/14; LG, *NTT Docomo v. HTC*, 7 O 66/15; Paulzer, *EuZW* 2015, 702).

144 Huawei, *supra* note 128, ¶ 67. "The calculation of that security must include, inter alia, the number of the past acts of use of the SEP, and the alleged infringer must be able to render an account in respect of those acts of use." *Id.*

145 Huawei, *supra* note 128, ¶ 68.

146 Huawei, *supra* note 128, ¶ 69.

147 Simon Kahn & Rhodri Kendrick, *The FRAND Injunction - What does it mean*, LEXOLOGY (June 16, 2017), <https://www.lexology.com/library/detail.aspx?g=7e09e81e-3616-496b-9b45-b5871b0cb4ea>.

148 Kelcee Griffis, *Huawei Hit with UK Injunction After Refusing License*, LAW360 (June 8, 2017), <https://www.law360.com/articles/932737/huawei-hit-with-uk-injunction-after-refusing-license>.

149 *Id.*

essential, and infringed.¹⁵⁰ Justice Birss also held a nontechnical¹⁵¹ trial to calculate the FRAND royalty rates and resolve key questions regarding FRAND terms.¹⁵²

After *Huawei* offered counter proposals in response to the court-determined FRAND terms and royalty rates for Unwired Planet's SEPs,¹⁵³ Justice Birss issued an injunction against *Huawei*.¹⁵⁴ While Justice Birss stayed this injunction while *Huawei* appealed its case, he also laid out the guidelines for a novel type of injunction ("the FRAND injunction"), suitable for instances where an infringer refuses to abide by the court-determined reasonable terms and rates for FRAND-encumbered SEPs.¹⁵⁵ The FRAND injunction automatically terminates if the infringer agrees to submit to a license on FRAND terms.¹⁵⁶ Additionally, the FRAND injunction is unique because both the patent holder and the infringer may return to court to re-evaluate the terms of the FRAND agreement under certain circumstances, such as the expiration of the license.¹⁵⁷

2. European Commission's Communication on Setting out the European Union's Approach to Standard Essential Patents

On November 29, 2017 the European Commission¹⁵⁸ issued a Communication on Setting out the European Union's Approach to Standard Essential Patents,¹⁵⁹ which discussed several important topics, including the availability of injunctive relief under *Huawei v. ZTE*.¹⁶⁰ The

150 *Unwired Planet International Ltd v. Huawei Technologies Co. Ltd*, [2017] EWHC 711 (Pat) ¶ 2, 9 [hereinafter *Unwired Planet Nontechnical Trial*], available at [http://www.bailii.org/cgi-bin/format.cgi?doc=/ew/cases/EWHC/Patents/2017/711.html&query=\(2017\)+AND+\(EWHC\)+AND+\(711\)](http://www.bailii.org/cgi-bin/format.cgi?doc=/ew/cases/EWHC/Patents/2017/711.html&query=(2017)+AND+(EWHC)+AND+(711)); See also Kelcee Griffis, *supra* note 148.

151 "Nontechnical trial" in this instance means a trial that did not concern claim construction of the patents, their validity, or infringement.

152 *Unwired Planet Nontechnical Trial*, *supra* note 150, ¶ 3.

153 Kelcee Griffis, *supra* note 148.

154 Kelcee Griffis, *supra* note 148; Justice Birss wrote "By refusing to offer an unqualified undertaking before trial and before judgment *Huawei* forced *Unwired Planet* to come to court and vindicate its rights... The right thing to do now is grant a FRAND injunction albeit one which will be stayed on terms pending appeal." *Unwired Planet Injunction Hearing* [2017] EWHC 1304 (Pat) ¶ 29.

155 Kelcee Griffis, *supra* note 148.

156 Kahn & Kendrick, *supra* note 147.

157 *Id.* Under English law, regular injunctions are final "even when the circumstances of a case change." *Id.*

158 The European Commission is the executive branch of the European Union which proposes laws to the European Parliament and the Council of the European Union and enforces the laws of the European Union. *European Commission*, European Union, https://europa.eu/european-union/about-eu/institutions-bodies/european-commission_en (last visited Oct. 21, 2018).

159 See EU APPROACH TO SEPs, *supra* note 132.

160 *Id.* at 9-10.

Communication relied on national case law in articulating guidance for applying the *Huawei* framework.¹⁶¹ For instance, the Communication indicated prospective licensors need to provide potential licensees with a “sufficiently detailed” notice of infringement which identifies: the standard the allegedly-infringed patent is essential to, the allegedly infringing products, the proposed royalty calculation, and the supporting evidence indicating that the royalty rate is non-discriminatory.¹⁶² Similarly, the Communication stated that counter-offers must be “concrete and specific,”¹⁶³ and that the “timeliness” of the counteroffer was a fact-specific inquiry, which is determined, at least in part, by the quantity of SEPs asserted and the level of detail of the infringement notice.¹⁶⁴ The Communication also indicated that security, like damages, should be set at magnitudes which discourage patent hold-outs¹⁶⁵ and that international portfolio licenses were permissible where consistent with the recognized commercial practices in the field.¹⁶⁶ Finally, the Communication emphasized that injunctive relief should be effective, proportionate, and dissuasive, as per Article 3(2) of the IPR Enforcement Directive.¹⁶⁷

Thus, while the availability of injunctions in disputes over SEPs in Europe is subject to a patchwork of case law similar to that in the United States, the *Huawei* framework created a comprehensive set of rules for licensors and licensees to follow; moreover, the Communication from the European Commission on Setting out the European Union’s Approach to Standard Essential Patents provided further guidance on how the *Huawei* framework should be applied.

III. UNITED STATES COURTS AND UNITED STATES INTERNATIONAL TRADE COMMISSION SHOULD CREATE GUIDELINES OUTLINING THE DUTIES OF PARTIES INVOLVED IN NEGOTIATIONS OVER FRAND-ENCUMBERED SEPS, THEREBY ENCOURAGING GOOD-FAITH DEALING,

¹⁶¹ *Id.* at 9.

¹⁶² *Id.* at 10.

¹⁶³ “[I]t [the counteroffer] cannot be limited to contesting the SEP holder’s offer and a general reference to third-party determination of the royalty.” *Id.*

¹⁶⁴ “[T]here is a probable tradeoff between the time considered as reasonable for responding to the offer and the detail and quality of information provided in the SEP holder’s initial offer.” *Id.*

¹⁶⁵ *Id.*

¹⁶⁶ *Id.* at 10-11. These portfolio licenses are permissible to the extent the patents are limited to SEPs that are necessary to produce and market the products. *Id.* Additionally, “SEP holders may offer more patents, including non-SEPs, but cannot require a licensee to accept a license for these other patents as well.” *Id.* at 11.

¹⁶⁷ *Id.* at 10 (citing to the *Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the Enforcement of Intellectual Property Rights*, OJ L 195 of 2.6.2004, 16, 20).

FACILITATING INNOVATION, AND PROMOTING ECONOMIC EFFICIENCY

While there appears to be a consensus between the United States and the European Union that injunctions should be available on a limited basis in disputes involving FRAND-encumbered SEPs,¹⁶⁸ United States courts have been more hesitant than the European Union in allowing injunctions in such cases¹⁶⁹ and the tide may be turning on the USITC's more liberal standard for allowing exclusion orders in these instances.¹⁷⁰ This reticence may be due to the lack of United States guidelines concerning the obligations of the parties engaged in licensing negotiations over FRAND-encumbered SEPs, in particular, the lack of clarity regarding the procedural responsibilities of the SEP-holder and the implementor of the standard throughout a negotiation.¹⁷¹ The divergent roles antitrust policy plays in the United States and the European Union may be another reason for the differing approaches the two take to injunctive relief in disputes involving FRAND-encumbered SEPs.¹⁷² In contrast to the United States

168 The United States Federal Circuit has indicated "there is no per se rule prohibiting injunctive relief against infringement of FRAND-encumbered SEPs" and the USITC has similarly concluded there is no "per se rule prohibiting an exclusion order against SEP infringement." Richard Li & Richard Li-dar Wang, *Reforming and Specifying Intellectual Property Rights Policies of Standard-Setting Organizations: Towards Fair and Efficient Patent Licensing and Dispute Resolution*, 2017 U. ILL. J.L. TECH. & POL'Y 1, 23 (2017). The decisions of the European Commission and the CJEU also seem to imply the same. *Id.* The consensus both in United States and European Union is that injunctions should not be issued against willing licensees, and should be reserved for instances where the would-be licensee acted in bad faith. *Id.* at 23-24.

169 See *supra* Section III(A)(i), for a discussion of the United States caselaw.

170 While investigations following the USTR's disapproval of exclusion orders in cases involving FRAND-encumbered SEPs have shed light on the types of facts and evidence required to substantiate FRAND-based arguments, the entire Commission has not since then provided its comprehensive take on exclusionary orders of FRAND-encumbered SEPs. David W. Long, *Litigating Standard Essential Patents at the U.S. International Trade Commission*, 17 SEDONA CONF. J. 671, 755-59 (2016).

171 United States case law indicates that the FRAND commitment requires a good-faith initial offer, which does not have to be FRAND so long as a FRAND royalty or license eventually issues. See e.g., *Microsoft Corp. v. Motorola, Inc.*, 2013 U.S. Dist. LEXIS 60233, at *15. However, the caselaw does not provide the sort of detailed step-by-step guidelines for the obligations of each party in a FRAND negotiation that *Huawei v. ZTE* laid out. See *Huawei*, *supra* note 128, at ¶ 103.

172 Mariana Lopez-Galdos, *Antitrust Policy Tools & IP Rights: U.S., Transatlantic & International Effects*, 15 CHI-KENT J. INTELL. PROP. 441, 470-72 (2016).

[T]he EU has historically been the jurisdiction focusing on enforcement rather than litigation from an antitrust policy perspective. Therefore, it is unsurprising that the EC has used competition related legislation to decide on cases potentially involving hold-ups. Differently, the US has repeatedly stated that antitrust law and policy should not constrain the legitimate exercise of IP rights by for example stating that "we need to ensure that the application of antitrust laws does not illegitimately stifle innovation and creation by condemning pro-competitive activities that would maximize incentives for investments or efficiency-maximizing business arrangements."

courts, courts within the European Union have been active in developing a body of law concerning the appropriate measures parties must undertake in order to comply with their FRAND obligations during negotiations.¹⁷³ United States courts and the USITC should likewise elucidate not only the appropriate circumstances for requesting injunctions in cases involving FRAND-encumbered SEPs, but also the sequential obligations of parties within a FRAND licensing negotiation to ensure holders of FRAND-encumbered SEPs have access to injunctive relief in appropriate circumstances and to deter opportunistic behaviors of both parties.¹⁷⁴

*A. Permitting Access to Injunctive Relief in Special Circumstances
Will Restore the Appropriate Balance of Power between Licensors and*

Allowing injunctive relief in limited circumstances will encourage parties to engage in good-faith FRAND negotiations by increasing the risk associated with an implementer's willful infringement, thereby decreasing her incentives to engage in a patent hold-out.¹⁷⁵ The optimal balance of remedies in a FRAND dispute should mitigate both the risk of a patentee using the threat of an injunction to extract supra-FRAND royalties and the risk of an implementer engaging in a patent hold-out to obtain infra-FRAND royalties because she would incur no additional risk from

Id. at 470–71 (citing remarks by Makan Delrahim, Deputy Assistant Attorney General Antitrust Division, U.S. Dep't of Justice Presented at American Bar Association, Section of Antitrust Law Spring Meeting Washington, D.C. "US and EU Approaches to the Antitrust Analysis of Intellectual Property Licensing: Observations from the Enforcement Perspective," 1 April, 2004.).

¹⁷³ See Huawei, *supra* note 128, at ¶ 103; see also Christa Brown-Sanford & Bethany R. Ford, *supra* note 133.

¹⁷⁴ Admittedly, providing a comprehensive set of guidelines is difficult as there are no universal FRAND responsibilities, rather, each IPR policy contains specific language outlining the licensing obligations of holders of FRAND-encumbered SEPs; therefore, the interpretation of the differing language contained in the various IPR policies becomes critical in judicial and administrative proceedings. David W. Long, *supra* note 170, at 755 ("[T]he ITC has given weight to the language of the IPR policy adopted by an SSO... The ITC's focus on the language of the IPR policy includes what that IPR policy did not include..."). Likewise, the language of the SEP-holders' commitments to the SSO differ, providing further interpretational challenges. David W. Long, *supra* note 170, at 756. However, the feasibility of creating a comprehensive framework is arguably evident through the use and application of the *eBay* four-factor test for injunctive relief, which is applied in the same way whether the patent at issue is a regular patent, a standard-essential one, or a FRAND-encumbered standard-essential patent; the courts apply the same framework in each instance, taking the presence of essentiality to a standard or FRAND commitment into account, without further specific guidance on the topic. Jorge L. Contreras & Ruchard J. Gilbert, *A Unified Framework for RAND and Other Reasonable Royalties*, 30 BERKELEY TECH. L.J. 1451, 1460-62 (2015).

¹⁷⁵ Layne S. Keele, *Holding Standards for RANDsome: A remedial Perspective on RAND Licensing Commitments*, 64 KAN. L. REV. 187, 198 (2015).

engaging in willful infringement.¹⁷⁶ If FRAND royalties are the only remedy, implementers have a perverse incentive to hold out because the most unfavorable outcome to the implementers would be to pay the same royalty rates¹⁷⁷ they would have had to pay initially.¹⁷⁸ The presence of injunctive relief as a potential remedy for certain types of infringement, such as willful or knowing infringement, would incentivize implementers to seek licenses and deter them from engaging in hold out because of the additional risk associated with engaging in those behaviors.^{179, 180} The risk to implementers is anchored in their sunk costs in technology or products, which rely upon the infringed SEPs; should an injunction be ordered, those sunk costs would be lost.¹⁸¹ Nonetheless, the availability of injunctive relief should be limited in order to ensure innocent implementers are not faced with the threat of an injunction¹⁸² and

176 *Id.* The situation in which no additional risk is incurred from willful, or knowing infringement is where the only remedy available to the owner of the FRAND-encumbered SEPs is the RAND rate, as opposed to circumstances where injunctive relief, enhanced damages, or attorney's fees may also be awarded. *Id.* This scenario also assumes a singular RAND rate, rather a RAND range from which a number at the lower end of the spectrum would be agreed upon prior to the commencement of litigation and a higher value following initiation of the action. *Id.* at 229. Additionally, under these circumstances, the RAND rate determined by the parties pre-litigation will necessarily be the same as the rate determined by the courts. *Id.*

177 This simplified illustration does not address the impact of litigation risk on the FRAND royalty rates. *Id.* at 229. Theoretically, court-calculated royalties should be higher than those negotiated between two parties prior to litigation because court calculations assume that a patent is valid and infringed while pre-litigation negotiations price in the risk that the patent may be found invalid or not infringed. *Id.* at 230. Moreover, the pre-litigation is also depressed due to the risk of non-mutual collateral estoppel, which would prevent the SEP-holder from enforcing her patent against any other party if it is found to be invalid in the action against just one implementer. *Id.* However, it is difficult, if not impossible, to ascertain whether this increase in royalties offsets the litigation costs and other harms associated with litigation, in contrast to a bilateral negotiation culminating in a license.

178 *Id.* at 201. It is true that attorney fees, and possible interest on damages might increase the pay out, however, these are balanced against the chance that the implementer may win at trial on any number of defenses, or that her infringement may not be detected in the first place. *See, e.g., Id.* at 202.

179 *Id.* at 203. It is possible to shift the balance of power between the implementer and the patent holder through other remedies, such as enhanced damages, but these are not addressed in this Note.

180 *See also* Jay P. Kesan & Carol M. Hayes, *FRAND's Forever: Standards, Patent Transfers, and Licensing Commitments*, 89 IND. L.J. 231, 308 (arguing that it may be socially beneficial to preserve injunctions in cases of willful infringement, and even in cases involving SEPs under limited circumstances).

181 Layne S. Keele, *supra* note 175, at 203. "The threat of injunctive relief does not incentivize would-be infringers to seek a license if the infringers are not heavily tied down with sunk costs. Thus, a seller who simply imports patented products, marks them up, and then resells them would not necessarily be disincentivized by the threat of an injunction." *Id.* at 203 n. 90.

182 Layne S. Keele, *supra* note 175, at 211.

consequently, not deterred from investing into products which must comply with one or more standards.¹⁸³

B. Limited Access to Injunctive Relief Will Encourage Continued Innovation and Participation in the Standard Setting Process, Encouraging Economic Efficiency

Granting FRAND-encumbered SEP-holders limited access to injunctive relief will reduce the likelihood of underpayment,¹⁸⁴ ensuring innovators retain incentives to create the technology comprising novel standards and that the same innovators continue to participate in the standard setting process.¹⁸⁵ Typically, the main concern in allowing SEP-holders access to injunctive relief is that they will engage in hold-up tactics, attempting to extract supra-FRAND royalties from the potential licensees, who may be particularly vulnerable to this tactic due to the costs associated with switching to a different technology.¹⁸⁶ However, SEP-holders and implementers “can and do bargain prior to the implementer’s adoption of and investment in a standard”¹⁸⁷ In such instances, the bargaining occurs prior to the implementer’s investment, but after an innovator has sunk in research and development costs into its patented technologies.¹⁸⁸ Categorically barring injunctive relief further “shifts the bargaining power from innovators to implementers,” especially in instances where innovators have already incurred costs and implementers have not yet done so.¹⁸⁹ This shift in power results in lower

183 One proposed solution which would ensure innocent implementers of the standard are not subject to injunctions removes pre-litigation conduct from the analysis examining the need for injunctive relief. Layne S. Keele, *supra* note 175, at 211.

184 The term “underpayment” reflects the scenario in which implementers may underpay for royalty licenses, as opposed to overpay, in relation to some “true” value of the intellectual property; this underpayment may potentially “pose the risk of under-rewarding innovators for their investments” in the research and development process that led to the patented technology at issue. Luke Froeb & Mikhael Shor, *Innovators, Implementers, and Two-Sided Hold-Up*, 14-6 ANTITRUST SRC. 1, 9-10 (2015).

185 *Id.*

186 *Id.* at 7-8. Alternatively, in the absence of an alternative technology, or if the switching costs are too high, the implementer of the standard would be forced out of the market. See Miller, *supra* note 1, at 455; Layne S. Keele, *supra* note 175, at 205.

187 Luke Froeb & Mikhael Shor, *supra* note 184, at 10.

188 *Id.* at 7-8.

189 *Id.* at 8.

negotiated royalty rates, which could deter innovators from pursuing future projects because these opportunities would no longer be economically attractive.¹⁹⁰ A categorical bar or overly stringent limitation on the grants of injunctive relief in cases involving FRAND-encumbered SEPs would likewise reduce incentives for innovators to be involved in the standard-setting process.¹⁹¹ Coupled together, the decline in innovation and the reduction in benefits produced by the various standardization initiatives would lead to a drop in economic efficiency and be detrimental to society.^{192, 193}

C. Negotiations with Willing Licensees Would Not Occur Under “the Looming Threat of an Injunction” Because a Court Mandated Royalty Will Always be an Alternative

Bargaining occurs “in the shadow of the law that courts create,”¹⁹⁴ which means that the applicable case law will necessarily affect the way in which negotiations over licensing of FRAND-encumbered SEPs proceed. Similar to the model proposed by James Ratliff,¹⁹⁵ the availability of injunctive relief in licensing disputes over FRAND-encumbered SEPs within the existing framework¹⁹⁶ of laws does not result in a hold-up because a willing licensee always retains the option to accept either court-determined FRAND terms or the terms it arrives to with the

¹⁹⁰ *Id.*

¹⁹¹ *Id.* at 8, 10.

¹⁹² *Id.* at 10 (“Curtailling injunctive relief and basing royalties on the smallest salable component both pose the risk of under-rewarding innovators for their investments. This is likely to retard innovation, reduce incentives to participate in standards, and reduce economic welfare.”).

¹⁹³ Another intriguing argument in support of allowing access to injunctive relief is that it allows a closer approximation of ex-ante bargaining. *Id.* at 8-9. The hypothetical ex-ante negotiation, which occurs under the Georgia Pacific analysis in cases involving FRAND-encumbered SEPs, takes place prior to the adoption of the patent-in-suit into the standard. *Id.* However, in a truly ex-ante negotiation the holder of the patent could refuse to license its technology prior its adoption to the standard, giving the patent-holder additional leverage to bargain for higher royalty. *Id.* Thus, allowing for injunctive relief in some exceptional cases “can be seen as a partially restorative of the bargaining power that the innovator has before the existence of the standard.” *Id.* at 9. One pitfall of this argument, however, is that the higher royalty the patent-holder may have gotten would likely have come from fewer licensees. See James Ratliff & Daniel L. Rubinfeld, *The Use and Threat of Injunctions in the Rand Context*, J. OF COMPETITION L. & ECON. (2013) 9(1): 4.

¹⁹⁴ William H. Page, *Judging Monopolistic Pricing: F/RAND and Antitrust Injury*, 22 TEX. INTELL. PROP. L.J. 181, 207 (2014).

¹⁹⁵ See generally Ratliff & Rubinfeld, *supra* note 193, at 1-22.

¹⁹⁶ “Remedies for patent infringement are particularly important because they set the framework for licensing negotiations and provide the source of the patentee’s power to extract monopoly rents from standardized products.” Suzanne Michel, *Bargaining for RAND Royalties in the Shadow of Patent Remedies Law*, 77 ANTITRUST L.J. 889, 889-90 (2011).

SEP-holder.¹⁹⁷ In other words, “the negotiation is not conducted in the shadow of an injunctive threat but rather in the shadow of knowledge that the court will impose a set of RAND terms if the parties do not reach agreement themselves.”^{198, 199} Similarly to Ratliff’s model, under United States case law and USITC decisions, the circumstances under which injunctions would issue are limited, consisting of instances where an implementer and SEP-holder are at an impasse and where the implementer refuses to license on court-determined FRAND terms.²⁰⁰ Thus, availability of injunctions in instances of egregious, willful infringement, will not harm willing licensees and will help to facilitate dispute resolution.²⁰¹

197 See Ratliff & Rubinfeld, *supra* note 193, at 18-19.

198 *Id.* at 9. One assumption in the above scenario is that the obligation of an owner of FRAND-encumbered SEPs to offer a FRAND license is not dissolved by a challenge of the offer in court, nor by a court determination that the SEP-holder’s opening offer was FRAND; in other words, the patent holder’s duty is not discharged upon a single offer of a license on FRAND terms. *Id.*

199 It is important to note, where the actual wording of a FRAND commitment is a requirement for a SEP-holder to offer the SEPs on FRAND terms, some economists believe that SEP-holders who inform an implementer of infringement and provide an offer on FRAND terms, which is sufficiently specific to constitute a binding agreement if accepted by the implementer, fully discharge their contractual duties. J. Gregory Sidak, *Comments on the Japan Guidelines for Licensing Negotiations Involving Standard-Essential Patents*, CRITERION ECONOMICS (Nov. 1, 2017), <https://www.criterioneconomics.com/sidak-comments-japan-patent-office-sep-guidelines.html>. Under this line of reasoning, if the implementer rejects the offer, or makes a counteroffer, the SEP-holder is under no obligation to negotiate or accept the counteroffer. *Id.* In real-world transactions, however, whether an offer is “FRAND” or not is often a contentious issue; if the SEP-holder simply makes one offer and then refuses to negotiate and that offer turns out not to be FRAND, the SEP-holder could be subject to liability under both contract and antitrust laws. See generally *Microsoft Corp. v. Motorola, Inc.*, No. C10-1823JLR, 2013 U.S. Dist. LEXIS 60233; *In re Innovatio*, 2013 U.S. Dist. LEXIS 144061. Furthermore, given that under United States law, initial offers of SEP-holders need not be FRAND so long as a license on FRAND terms is eventually agreed upon, it is not clear in how many instances a single offer by the patent holder would actually discharge the holder’s obligation to provide a licensing offer on FRAND terms. See *supra* note 171.

200 See Ratliff & Rubinfeld, *supra* note 193, at 21-22 (“In our model, an injunction could be granted, if at all, only if a licensee refuses to accept court-certified RAND terms, which is unlikely to occur in practice”); See *supra* Section III(A)(i) and agency decisions *supra* Section III(A)(ii), for a discussion of United States caselaw.

201 See Ratliff & Rubinfeld, *supra* note 193, at 22.

D. Providing Clear Guidelines Regarding FRAND Negotiations and Injunction Safe Harbors Will Reduce Opportunistic Behavior of Both Parties

For injunctions to serve the beneficial functions listed above, including the reduction of opportunistic behavior,²⁰² parties need to understand the obligations they must discharge²⁰³ to take advantage of the injunction safe harbors. Guidelines laid out in *Huawei v. ZTE* provide one example of a useful framework which can reduce opportunistic behavior of the parties by providing guidance for FRAND negotiations.²⁰⁴ *Huawei v. ZTE* outlines the steps holders of FRAND-encumbered SEPs are required to take prior to pursuing an injunction as well as the expected behavior and responses of a willing licensee.^{205, 206} The *Unwired Planet v. Huawei* opinion further elucidated the nature of the FRAND undertaking²⁰⁷ and its relationship to competition law concerns.²⁰⁸ For instance, “the [c]ourt held that a FRAND undertaking is not just a contractual commitment to grant

202 See EU APPROACH TO SEPS, *supra* note 132, at 9 for a discussion on the benefits of a predictable enforcement environment for SEPs. For instance, the European Commission writes “A balanced and predictable enforcement environment has particularly positive effects on parties’ behavior during negotiations, which in turn can speed up the spread of standardised [*sic*] technologies.” EU APPROACH TO SEPS, *supra* note 132, at 9.

203 See *supra* Section III(B)(i) for the safe harbor guidelines established by the European courts.

204 Claudia Milbradt, *Landmark Decisions on FRAND Licensing in Germany: What to Look out for in Negotiations*, BUSINESS LAW MAGAZINE (Mar. 2017), <http://www.businesslaw-magazine.com/2017/11/23/landmark-decisions-on-frand-licensing-in-germany-what-to-look-out-for-in-negotiations/>. “[T]he recent decisions can be used as guidance in negotiations between potential licensors and licensees.” *Id.*

205 David Long, *European Union High Court gives guidance on seeking injunctive relief on FRAND-encumbered SEPs (Huawei v. ZTE)*, ESSENTIAL PATENT BLOG (July 16, 2013), <https://www.essentialpatentblog.com/2015/07/european-union-high-court-gives-guidance-on-seeking-injunctive-relief-on-frand-encumbered-seps-huawei-v-zte/>.

206 To comply with its obligations a SEP owner must give notice to the infringer and provide a licensing offer via written FRAND terms. *Id.* The alleged infringer must likewise carry out its duties to show it is a willing licensee and to be able to invoke a FRAND defense during litigation. *Id.* “[A] willing licensee should act without delay, provide a counter-offer, and actively pay royalties (in trust or otherwise) for past and on-going use of the patent while the parties negotiate toward a FRAND license.” *Id.*; see *supra* Section III(B)(i), for a discussion of the case.

207 Justice Birss underscored

[A]n implementer who makes an unqualified commitment to take a licence [*sic*] on FRAND terms . . . cannot be the subject of a final injunction to restrain patent infringement. Whereas an implementer who refuses to take a licence [*sic*] on terms found by the court to be FRAND has chosen to have no licence, [*sic*] and so if they have been found to infringe a valid patent an injunction can be granted against them.

Unwired Planet Nontechnical Trial, *supra* note 150, ¶ 806(5).

208 Esther Ford & Michael Moore, *Unwired Planet v Huawei: What are FRAND licence terms for Standard Essential Patents?*, LEXOLOGY (Apr. 12, 2017), <https://www.lexology.com/library/detail.aspx?g=5eab26c7-818a-4e61-8e58-eeb6d1970aaf>.

licences [*sic*] on FRAND terms, but also to adopt a FRAND approach to the negotiation of such licences [*sic*].”²⁰⁹ The court also underscored that FRAND obligations are bilateral—in order to take advantage of FRAND defenses implementers are required to take a “FRAND approach”²¹⁰ to negotiating the terms of the license.²¹¹ Thus, the *Unwired Planet v. Huawei* decision placed injunctions in cases involving FRAND-encumbered SEPs “firmly on the table”²¹² and demonstrated how the “best practices” laid out in *Huawei v. ZTE* can be used as flexible guidelines in licensing disputes.²¹³ In effect, *Huawei v. ZTE* laid the groundwork to allow Justice Birss to enter an injunction against *Huawei*²¹⁴ in the *Unwired Planet v. Huawei* dispute, and this injunction likely facilitated the discussions which led to a settled license between the two parties.²¹⁵ Finally, the European Commission’s Communication Setting out the

209 *Id.*

210 A “FRAND approach” is not clearly defined, however, it seems to essentially require good faith and fair dealing from each of the parties. *Id.*

What constitutes a FRAND approach remains a grey area, but it does not mean that there is no scope for good faith opening offers and counter offers that fall short of FRAND and leave room for further negotiation. What is not a FRAND approach is “making extreme offers and taking an intransigent approach” (para 163) or creating a circumstance in which “it would be too easy for the recipient of an offer to throw up their hands and refuse to negotiate at all” (para 765).

Id.

211 *Id.*

212 Aled Richards-Jones et al., *Implications of FRAND Royalty Rate on Standard-Essential Patent Litigation*, LEXOLOGY (June 28, 2017), <https://www.lexology.com/library/detail.aspx?g=953651c1-6347-427f-a4f1-6d584b621c02>.

213 In ruling on the allegation that Unwired Planet breached Article 102 of the Treaty on the Functioning of the European Union by seeking an injunction before an offer on FRAND terms had been made to Huawei, Justice Birss indicated that the “safe harbor” laid out in *Huawei v. ZTE* was a collection of best practices for negotiations over SEPs, and that the inquiries of whether the best practices were violated versus whether Article 102 was breached were distinct. Unwired Planet Nontechnical Trial, *supra* note 150, ¶ 744(i),(viii) (“In the judgment the CJEU has set out a scheme which both the patentee and implementer can be expected to follow in the context of a dispute about a patent declared essential to a standard and subject to a FRAND undertaking.... FRAND is justiciable and the undertaking can be effectively enforced at the suit of the defendant irrespective of Art 102. The defendant does not need Art 102 to have a defence [*sic*] to the injunction claim.”).

214 For more information about the injunction Justice Birss ordered, see Pat Treacy & Matthew Hunt, *Unwired Planet v Huawei: a new FRAND injunction*, LEXOLOGY (June 7, 2017), <https://www.lexology.com/library/detail.aspx?g=df5d4f3-b6e8-4edd-8cd1-f2af2e81f240>.

215 To learn more about the settled license, see Nick Rudgard, *High Court Rules on FRAND Patent Licenses*, LEXOLOGY, (Nov. 30, 2017), <https://www.lexology.com/library/detail.aspx?g=77da097d-f43d-48b8-b491-6a38619c3302>.

216 Other nations have implicitly acknowledged the importance of providing guidelines for negotiations involving FRAND-encumbered SEPs. For instance, in addition to the recent European decisions, Japan has begun an initiative to develop a world-class set of guidelines to govern standard-essential patent licensing negotiations. Satoshi Watanabe, *International report - Government requests guideline suggestions for standard-essential patent licence negotiation*, IAM (Oct. 18, 2017),

European Union's Approach to Standard Essential Patents consolidated national case law and provided further guidance on the application of the *Huawei* framework.²¹⁷

Thus, United States courts as well as the USITC should likewise develop a comprehensive framework for patent holders and potential licensees to follow in licensing disputes over FRAND-encumbered SEPs because such guidelines will encourage good-faith negotiations, facilitate innovation, and promote economic efficiency.

CONCLUSION

United States courts should grant injunctive relief in disputes involving FRAND-encumbered SEPs on a limited basis, including in circumstances where an implementer commits willful or knowing infringement in refusing to accept a FRAND license. The USITC should likewise be allowed to issue exclusion orders under similar circumstances in actions involving FRAND-encumbered SEPs.²¹⁸ To ensure injunctions and exclusion orders under such circumstances are actually available,²¹⁹ the

<http://www.iam-media.com/reports/detail.aspx?g=080c3f5e-5c4f-41ce-b63d-6156a831512e>. The guidelines address common issues in licensing negotiations of SEPs, appropriate negotiation methods, and what constitutes reasonable royalties. *Id.* The Japan Patent Office solicited domestic and international input on the guidelines and expects to publish the guidelines this year. *Id.* Moreover, South Korea has addressed licensing negotiation concerning SEPs with the Korea Fair Trade Commission [hereinafter "KFTC"], amending guidelines regarding abuse of intellectual property rights in December of 2014. Yulchon LLC, *Korean Antitrust Enforcer Amends Guidelines on Abuse of Intellectual Property Rights*, LEXOLOGY (Mar. 9, 2015), <https://www.lexology.com/library/detail.aspx?g=82ab515c-145e-4e9b-9c6e-eebe5b34ca06>. "The amended IP Guidelines provide more specific guidance on whether certain conduct, including that by an NPE [Non-Practicing Entity] or SEP, is likely to constitute IPR abuse." *Id.* In China, the State Administration for Industry and Commerce [hereinafter "SAIC"] addressed the licensing of SEPs through its Rules on the Prohibition of Abuse of Intellectual Property Rights for the Purpose of Eliminating or Restricting Competition, which went into force on August 1, 2015. Hao Zhan & Jing He, *Authority scrutiny of SEP and FRAND issues in China*, LEXOLOGY, (May 23, 2016), <https://www.lexology.com/library/detail.aspx?g=b0e46621-083f-4006-9fbc-a22ee88d1d3f>.

²¹⁷ See *supra* Section III (A)-(B), for discussion of European precedent.

²¹⁸ See *supra* Section III (A)(ii)(A), for USITC's policies regarding the issuance of exclusion orders.

²¹⁹ If no clear guidelines for the obligations of the parties are outlined, the courts and administrative agencies may be more hesitant in granting injunctive or exclusionary relief because there may be a question of insufficient notice to the parties of the specific nature of their duties and the potential consequences. Additionally, since United States courts have been hesitant to grant injunctions in cases involving FRAND-encumbered SEPs, without clear guidelines outlining expectations for FRAND negotiations, the courts may continue withholding this relief to avoid disrupting party expectations. See *supra* Section III (A)(i), for discussion of United States case law in this area.

FRAND obligations of parties for negotiations should be clarified.²²⁰ The United States judicial and administrative bodies may examine the recent *Huawei v. ZTE* decision for an example of a framework²²¹ of best practices for negotiations over FRAND-encumbered SEPs and *Unwired Planet v. Huawei* for an illustration of how this framework can be applied in a flexible manner.²²² By providing guidelines for the duties of each party in FRAND negotiations and ensuring holders of SEPs have access to injunctive relief the United States will encourage parties to engage in good-faith negotiations, facilitate innovation and participation in the standard-setting process, and promote economic efficiency.²²³

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220 This can be accomplished through judicial opinions and through the issuance of guidelines by the relevant administrative agencies.

221 See *supra* Section III (B)(i)(A), for discussion of the guidelines set out in *Huawei v. ZTE*.

222 See *supra* Section III (B)(i)(B), for discussion of the guidelines set out in *Unwired Planet v. Huawei*.

223 See Luke Froeb & Mikhael Shor, *supra* note 184, at 10 (“Curtailling injunctive relief ... pose[s] the risk of under-rewarding innovators for their investments. This is likely to retard innovation, reduce incentives to participate in standards, and reduce economic welfare.”).

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